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Quarterly Funds Review Page 15
TODAY MONEY

IOC Scandal Hits Sydney; Cash Bribes Reported

Australian Official Says He Offered \$70,000 To Africans Before Vote

The Associated Press

LAUSANNE, Switzerland — The Olympic corruption scandal grew dramatically Friday when an Australian official said he offered \$70,000 in inducements to two African IOC members the night before Sydney won the 2000 Summer Games by two votes.

Australia's senior International Olympic Committee member, who said he was not involved in the offer, acknowledged that it could be considered a bribe and bring demands for Sydney to be stripped of the Games.

The latest development in the growing crisis came on the same day that a Libyan delegate became the second IOC member to resign amid vote-buying allegations in Salt Lake City's selection as host of the 2002 Winter Games. (Page 19)

John Coates, president of the Australian Olympic Committee and a leader of the 2000 Sydney bid, said he offered \$35,000 apiece to two African national Olympic committees, according to Australian news reports.

The offers were made at a dinner in Monte Carlo on Sept. 22, 1993, the night before Sydney won out over Beijing for the 2000 Games, Mr. Coates reportedly said.

"I thought it was necessary for us to show our commitment to those NOCs with a view to winning those votes," he said.

A call for Juan Antonio Samaranch to resign. Page 19.

Sydney Morning Herald quoted Mr. Coates as saying, "My view was it might encourage them to consider their votes for Sydney."

Sydney won, 45 to 43.

Mr. Coates reportedly denied that the money was a bribe and said it helped support sports in the African countries.

Details of the offer were contained in a package of previously confidential bid documents released to Australian news media by Mr. Coates, who was in Australia and not immediately available for comment.

The documents also disclosed that Mr. Coates wrote to the delegates a month before the vote, offering to put them up at Sydney's expense at the luxury Dorchester Hotel in London on their way to Monaco.

Kevan Gosper, an IOC executive-board member from Australia, said the reports indicated that the inducements offered by Mr. Coates went "beyond goodwill."

"It seems that John's decision was intended to influence the IOC members' thinking," Mr. Gosper said. "The perception may not match John's intention, but the event having taken place the night before the vote,

"I can see this being viewed as questionable conduct. The perception will be quite damaging to Sydney. It's a very serious revelation. I think a lot of people will be destabilized."

Mr. Gosper was a senior official in the Sydney bid, but he said he was unaware of the offers until a journalist called him Friday.

Mr. Gosper said he immediately brought the matter to the attention of the IOC president, Juan Antonio Samaranch, on Friday. He described Mr. Samaranch's reaction as "one of serious concern."

Mr. Gosper said the revelations were serious enough to raise the issue of whether Sydney should keep the Games.

"I can't rule it out that some may call for the Games not to proceed in Sydney," he said, indicating that even some IOC officials may feel that way. "I think the Chinese reaction will be important. There were really only two cities in the race."

Mr. Gosper said he would urge the IOC this weekend to endorse the 1993 vote awarding the Games to Sydney. He also called for all of Sydney's documents to be made public and said the IOC should consider a full-scale inquiry into the city's bid.

Mr. Gosper did not rule out that Mr. Coates would resign over the matter. He said he had not spoken to Mr. Coates directly, but defended him as an "extremely competent" and "first-rate" Olympic chief.



Mr. Clinton speaking at the National Academy of Sciences as Sandy Berger, national security adviser, looks on.

Marketing John Paul II

Uproar Over a Selling Frenzy in Mexico

By John Ward Anderson
Washington Post Service

priests and church members, the mixing of the spiritual and the commercial has gone overboard.

"They've sold the Pope's image before, but they've never done it in such a corporate way, as if it were a soccer World Cup," said Elio Masferrer, president of Mexico City's Latin American Association for Religious Studies. He said the practice illustrates the rise of "the theology of prosperity" within the church.

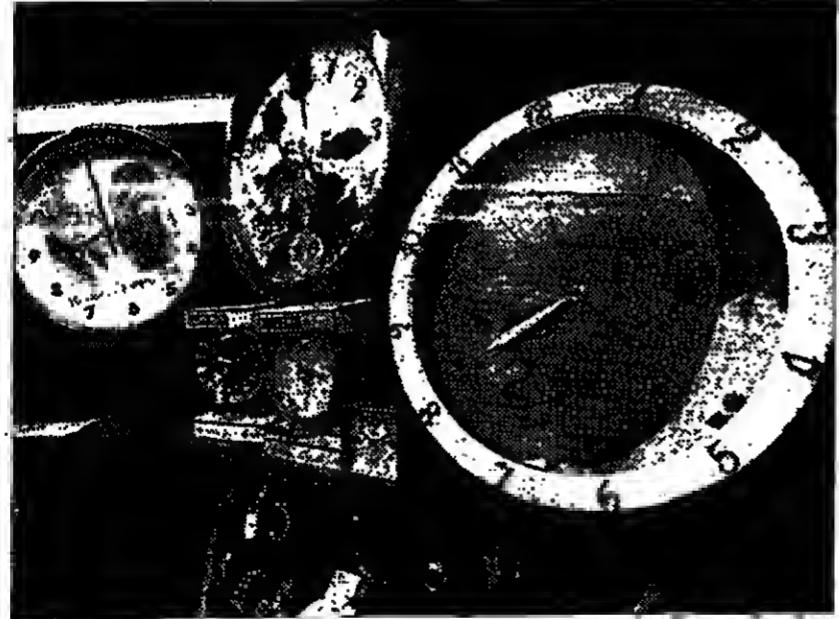
The sponsorship generating the most controversy is that of the Mexican snack food company Sabritas, which is owned by Frito Lay, which in turn is owned by PepsiCo Inc. The company has stuffed bags of Ruffles potato chips with stamp-like pictures of John Paul II and the Virgin of Guadalupe, Mexico's patron saint. The pictures have devotional messages on the back. For an extra 2 pesos (21 cents), one can buy a special frame to display the 10-picture collection.

In a play on the word *papa*, which in Spanish means both potato and Pope, the *Reforma* newspaper ran a satirical full-page ad for Sabritas' "Fried Hosts," calling them "Las Papas del Papa," or "The Potatoes of the Pope."

"It's not bad that church officials try to market the Pope, but they have managed the campaign with great clumsiness."

The bill for such visits is usually paid for by the host country and its branch of the Catholic Church, and sales of papal memorabilia have often helped cover costs. But in Mexico, in the view of religious scholars as well as many

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A shop at Mexico City's Basilica de Guadalupe sells papal memorabilia.

U.S. Seeks Ultimatum to Bring Self-Rule to Kosovo

By Joseph Fitchett
International Herald Tribune

PARIS — The administration of President Bill Clinton wants NATO to issue an ultimatum to Serbia threatening military attack unless Belgrade immediately concedes self-rule for the ethnic Albanian majority in Kosovo, U.S. officials said Friday.

After the latest escalation in bloodshed and mistrust, the only hope of stabilizing the Kosovo situation, the U.S. officials said, lies in getting Mr.

Milosevic to accept a political deal amounting to a de facto recognition of self-government.

That outcome, if immediate, might help moderate factions in Kosovo regain the upper hand over the hard-line separatists who have been spurred in their campaign of violence for independence by the harsh tactics of Serbian police and special forces, the sources said.

Agreeing that an ultimatum might prove unavoidable, European officials said a final threat of military action — in effect, war with Serbia — should come

only after a last round of negotiations with Belgrade and preferably after a meeting of foreign ministers of the six mediating states: the United States, Britain, France, Germany, Italy and Russia.

In effect, the European approach would set the deadline in 10 days' time, because Secretary of State Madeleine Albright will be in Paris and London late next week, after a stop in Moscow.

Officials from the six-nation contact group met Friday in London to discuss the political agenda in Kosovo before and after any air strikes, and a European

official said that the session had been "constructive" in framing a consensus on autonomy for the ethnic Albanians.

"If we launch an ultimatum, it should come from allied governments acting together so that we all share the full responsibility for implementing the threat if Belgrade refuses to comply," a European official said. So far, the Clinton administration has taken the view that NATO already would have the authority to proceed with an ultimatum

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See CLINTON, Page 3

Russia's 'Stealth' Bluff: Rollout of Fighter That Hasn't Been Built

By David Hoffman
Washington Post Service

MOSCOW — With much fanfare on a snowy tarmac at the Zhukovsky test field last week, Russia rolled out its long-awaited fifth-generation "stealth" fighter jet in front of dignitaries that included the minister of defense, Igor Sergeyev.

The plane, with the number 01 on the fuselage, was hailed by Mr. Sergeyev as a "revolution in the Russian Air Force."

Instead, the Russian designers substituted a more ordinary jet fighter, which itself has never flown, and was built for testing engines. It is not

clear exactly why the Russians staged the event, but disclosure that they faked what they described as a fighter for the 21st century has stirred heated exchanges in recent days.

But there was just one problem. The plane on the tarmac was not the plane they were talking about. In fact, the plane they were talking about does not exist, except on the drawing board, and may never be built.

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clear exactly why the Russians staged the event, but disclosure that they faked what they described as a fighter for the 21st century has stirred heated exchanges in recent days.

Alexander Zhitin, a journalist for the newspaper Moscow News, who had once been an aerospace magazine correspondent, was invited to the roll-out by Yevgeni Shaposhnikov, one-time Soviet defense minister and now adviser to President Boris Yeltsin.

Rumors had circulated for years about Russia's top-secret stealth fighter. Some specialists had quoted as saying the program had run out of money.

But the ceremony offered a tantalizing look at the plane and suggested the program was still alive.

Mr. Zhitin recalled when he saw the plane at the Jan. 12 event: "I was taken aback." It was not the long-rumored stealth interceptor. It was some-

thing else.

At first, Mr. Zhitin said in an interview, he thought perhaps the Russian secret services had staged an elaborate deception, to fool foreign intelligence services. But, he said, "the plane was too roughly made" to even qualify as a decoy.

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Newspaper Prices		
Bahrain	1,000 BD. Mala	55 c
Cyprus	C £ 1.00 Nigeria	1250 Naira
Denmark	17 DK. Oman	1,250 OR
Finland	12.00 FR. Qatar	10.00 QF
Gibraltar	0.85 Rep. Ireland	IR 21.10
Great Britain	£ 1.00 Saudi Arabia	10 SR
Egypt	£ 1.50 S. Africa	R 16 and VAT
Jordan	1,250 JD U.A.E.	10.00 DH
Kenya	K Sh. 100 U.S. M.	(Euro) £ 1.20
Kuwait	700 Fils Zimbabwe	2m 140.00

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Russia Rejects Any Changes in ABM Treaty

By Daniel Williams
Washington Post Service

MOSCOW — Russia on Friday flatly rejected any changes in the Anti-Ballistic Missile Treaty with the United States, and it implied that Clinton administration proposals to amend the accord and build a missile defense shield would undermine efforts at mutual nuclear arms reductions.

The rejection was the first response to a letter that President Bill Clinton wrote to President Boris Yeltsin informing him of the administration proposal. The budding dispute compounds a distinct cooling of relations between Moscow and Washington over issues ranging from Kosovo to Iraq to NATO expansion.

Despite the U.S. administration's assurance that the proposed \$6.6 billion anti-missile system is aimed at potential nuclear states like North Korea or Iran, Russia quickly saw it as the initiation of a new arms race, which Russia in its destitute condition, is bound to lose.

Foreign Minister Igor Ivanov was asked by a reporter if Russia would consider altering the 1972 ABM Treaty. "No," he said, "I'll say that straightaway."

He asserted that the United States "recognizes" that the ABM Treaty is "the cornerstone of further cuts in strategic offensive weapons" and was confident Washington would make no changes.

General Leonid Ivashov, head of the Defense Ministry's international cooperation desk, said bluntly that canceling the treaty would be a "violation of strategic stability" and give the United States decisive supremacy over Russia.

The responses came just days before a scheduled visit by Secretary of State Madeleine Albright to Moscow. She will meet a Russian diplomatic corps dedicated to countering American influence in the world. Here, talk of a potential partnership, a goal once promoted by both Mr. Clinton and Mr. Yeltsin, is now more frequently reserved for Europe, and even China and India.

Mr. Ivanov, who reviewed Russian foreign policy at a press conference, served up a virtual alphabet of disputes with Washington.

He repeated Russia's opposition to the use of force in Kosovo to deter Serbia's military assaults on the breakaway province. Russia "cannot agree with attempts to formalize the use of force" by the North Atlantic Treaty Organization outside its area and "without the United Nations Security Council's consent," he said.

He called air strikes on Iraq "a serious mistake" and placed Russia firmly against American efforts to isolate Iran. Moscow would continue to cooperate with the Islamic state, he said, a reference to the construction of a Russian-made nuclear reactor there.

His remarks followed lines laid out three years ago by Prime Minister Yevgeni Primakov, who was then foreign minister. Mr. Primakov designed a rot-

ation policy meant to distance Russia from the United States, bring it closer to Western Europe and Asian countries, and, through these "multipolar contacts," restore Moscow's global influence.

Apparently in a reference to the United States, Mr. Ivanov said that in 1998, "Some still wanted to drive the world into a narrow framework, which runs counter to the right of countries to effectively participate."

Nonetheless, "Russia not only managed to retain the status of one of the key players in the international arena, but also to strengthen it," he said.

Mr. Ivanov tried to soften the impression that a new Cold War was brewing. "Imbients can be found even in a family," he said. "These disagreements should not be allowed to grow into open confrontation between our countries."

Another Russian official, Deputy Prime Minister Yuri Maslyukov, seemed to give way on a topic that Mrs. Albright will take up next week: the secret transfer of missile technology to Iran. Mr. Maslyukov undercut Russia's previous denials that its scientists had passed on long-range missile technology to Tehran. He said in a television interview that "some of the cases" that the United States had presented "turned out to be true."

To punish the technology transfer, the Clinton administration has placed sanctions on a dozen Russian scientific institutions and threatened to forbid U.S. companies from launching satellites on Russian boosters. The satellite business is worth millions of dollars to the Russian space industry.



Foreign Minister Ivanov speaking Friday in Moscow on the U.S. plan.

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■ U.S. Gives Russia Assurances

The United States assured Russia on Friday it wanted to stay within the Anti-Ballistic Missile Treaty, despite plans to spend more on developing a defense umbrella against rogue missiles, Reuters reported from Washington.

"It's the basis of an arms control regime that has now existed for decades and one that we are committed to," Mrs. Albright said at a joint news conference with Foreign Minister Eduard Kukan of Slovakia.

BRIEFLY

France Jails 3 for Aiding Insurgents in Algeria

FLEURY-MEROGIS, France — A court convening in a prison gymnasium Friday convicted three men of heading support networks for Islamic insurgents in Algeria in a verdict that closed France's largest trial.

Mohamed Chalabi, Mounad Tacine and Mohamed Kerrouche were all sentenced to eight-year prison terms. The prosecution had demanded the maximum sentence of 10 years.

The three men were among 24 of the 138 defendants kept in detention since their arrests in police sweeps in 1994 and 1995. The 21 others held in jail were sentenced to prison terms ranging from four to six years. The court dismissed charges against 51 people. Mr. Kerrouche, Mr. Tacine and Mr. Chalabi were named as the head of the networks. (AP)

Turkey Now Says Ocalan Is No Longer in Russia

MOSCOW — The Kurdish rebel leader Abdullah Ocalan was not in Russia, the country's foreign minister said Friday, countering claims made by Prime Minister Bulent Ecevit of Turkey.

Mr. Ecevit said Thursday his country was convinced that Mr. Ocalan was in Russia. But after hearing comments by the Russian foreign minister, Igor Ivanov, on Friday, Mr. Ecevit said Mr. Ocalan was no longer in Russia. (AP)

For the Record

Boris Yeltsin's treatment for a stomach ulcer was going "according to plan" and his vital signs were normal, but a meeting with Secretary of State Madeleine Albright planned for next week was in doubt, a spokesman for the Russian president said. Mr. Yeltsin, 57, was hospitalized Sunday.

Two 10-year-old girls whose disappearance provoked a manhunt across Britain have been found safe and well after three days, police said. A 46-year-old man in Eastbourne, southern England, has been arrested, police said. (Reuters)

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.



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North America

Subsaharan Africa

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Latin America

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Oceania

Middle East

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Eloquent Defense Enthralls Senate

Relaxed and Wry, Bumpers Calls for an 'End to This Nightmare'

By R.W. Apple Jr.
New York Times Service

WASHINGTON — In a speech of rare eloquence, former Senator Dale Bumpers of Arkansas concluded the defense of President Bill Clinton on impeachment charges, coupling an admiring of Mr. Clinton's sins and weaknesses with a plea for his acquittal for the good of the nation.

"The American people now and for some time have been asking to be allowed a good night's sleep," the silver-haired Mr. Bumpers told the 100 senators, who hung on his every word Thursday as they very rarely do for anyone. "They are asking for an end to this nightmare. It is a legitimate request."

Recalling that James G. Blaine of Maine had concluded, 20 years after voting to convict President Andrew Johnson in 1868, that he had "made a bad mistake," because conviction would have created chaos, Mr. Bumpers cautioned: "So it is with William Jefferson Clinton. If you vote to convict, in my opinion, you're going to be creating more havoc than he could ever possibly create. After all, he's only got two years left."

His warning gained weight from his excoriation of the president's conduct with Monica Lewinsky, the former White House intern. Their illicit sexual affair underlies the two articles of impeachment.

"Why, Mr. Bumpers asked, did Mr. Clinton, by his own admission, deceive his family, his friends, his cabinet and the American public?"

"Well," Mr. Bumpers answered, "I know this whole affair was about to bring unspeakable embarrassment and humiliation upon himself, his wife, whom he adored, and a child that he worshipped with every fiber in his body and for whom he would happily have died to spare her this or to ameliorate her shame and her grief."

"We are one of us perfect. Sure, you say, he should have thought it all out beforehand, and indeed he should, just as Adam and Eve should have."

The president may not have welcomed Mr. Bumpers' description of his behavior as "indefensible, outrageous, unforgivable, shameless," or his acknowledgment that perhaps the president deserved no compassion. But that surely undercut any thought that he was standing up for Mr. Clinton out of unquestioning friendship.

Relaxed and discursive, strolling back and forth in the well of the Senate — not standing stock-still behind a lectern as many others have done — and eschewing legal fine points, Mr. Bumpers introduced humor into the sober proceedings for the first time in six tense days. Several of his self-deprecating asides drew guffaws. But he also spoke feelingly of the emotional devastation Mr. Clinton has caused for his wife and daughter.

The Clintons "have been about as decimated as a family can get," the former senator said in one of the most explicit comments any friend has made to date on the psychological toll of the president's conduct. "The relationship between husband and wife, father and child, has been incredibly strained, if not destroyed."

Mr. Bumpers' powerful presentation may or may not have changed many Republican minds, and Republicans have a majority in the Senate. But he surely stiffened the backs of any Democrat who may have thought even fleetingly of deserting the president, and that is all Mr. Clinton ultimately needs: the votes of 45 Democrats to make it constitutionally impossible for the Senate to muster the two-thirds vote it needs to oust the president.

A highly technical two-hour appearance by the president's personal attorney, David Kendall, was reduced almost to the status of a footnote by the Bumpers speech. One by one, Mr. Kendall rebutted five separate charges of obstruction of justice contained in Article II. Many of them also were covered in Article I, the perjury article, so he plowed little new legal ground.

Mr. Bumpers, whose fourth term expired only a few weeks ago, began by mocking himself. He said his audience

was about the same size as all the audiences he had drawn in his 24 years as senator combined.

"You can take some comfort, colleagues, in the fact that I'm not being paid," he said. "And when I'm finished, you'll probably think the White House got its money's worth."

Like others on the defense team, he took the House managers to task for having stretched evidence beyond the bounds of common sense. But he softened his criticism with the comment: "It's wanting to win too badly."

He, too, spoke caustically of the length and scope of the "five-year, relentless, unending investigation" by Kenneth Starr, the independent counsel, describing it as "maybe the most intense investigation not only of a president but of anybody, ever."

Inspector Javert's pursuit in "Les Misérables" of Jean Valjean "pales by comparison," he said.

He responded directly to those, including Representative Henry Hyde of Illinois, the chief prosecutor, who have suggested that the United States was diminished as a force in the world by having "a presidential perjuror" in office. "This nation has never enjoyed greater prestige in the world than we do right now," Mr. Bumpers said.

In support, he cited comments made recently by President Carlos Menem of Argentina, President Vaclav Havel of the Czech Republic, King Hussein of Jordan and President Nelson Mandela of South Africa.

Mr. Bumpers argued at some length that there was perjury and perjury, that some lies told under oath were worse than others. There is "a very big difference," he said, between perjury about marital infidelity in a divorce case and perjury in a murder case about buying the murder weapon.

To charge somebody with the first, and punish them as though it were the second, stands our sense of justice on its head," he told the senators, many of whom are also lawyers. "There is a total lack of proportionality, a total lack of balance in this thing. The charge and the punishment are totally out of sync."



Dale Bumpers, summing up before Mr. Hyde, said conviction would cause more chaos than Mr. Clinton could. The Associated Press

CLINTON: Predictable Answers Are Given to Partisan Questions

Continued from Page 1

Mr. Clinton of perjuring himself and obstructing justice in his attempts to conceal an intimate relationship with the former White House intern, Monica Lewinsky.

But as the chief justice of the United States, William Rehnquist, took written questions first from one side of the aisle and then the other, and read each in turn, the result was a sometimes awkward mixture of jabs by each legal team at the other, of more or less powerfully made points, and of arcane legal argument.

The overall result did not appear greatly to favor either side.

The first question came from four Republican senators: Wayne Allard of Colorado, Jim Bunning of Kentucky, Paul Coverdell of Georgia and Larry Craig of Idaho, and was directed to the prosecution team:

"Is it the opinion of the House man-

agers that the president's defense team, in the presentation, mischaracterized any factual or legal issue in this case? If so, please explain."

One manager, Representative Ed Bryant of Tennessee, rose to respond. "There are a number of mischaracterizations and statements which we dis- agree with," he said.

The case against Mr. Clinton, he said, was much more than the "she-said he-said" case White House lawyers de- scribed. He insisted that there was "ample corroboration," including phone logs, Secret Service logs and the "incredible memory" of Ms. Lewinsky.

After Mr. Bryant's nine-minute re- sponse, which Justice Rehnquist did not cut off, the next question came from a Democratic senator, Paul Sarbanes of Maryland, who merely asked the White House lawyers to respond to Mr. Bry-

ant. The White House counsel, Charles Ruff, called Mr. Bryant's comment irrelevant. "Nobody disputes the fact," he said, "that Ms. Lewinsky was in the White House engaged in inappropriate conduct with the president on a par- ticular day."

To a pointed complaint from Mr. Bryant that Mr. Ruff had accused the pros- ecutors of "fudging," Mr. Ruff re- sponded, "I have never suggested that the entire prosecution is so infected."

The proceedings continued in much the same fashion, with first Republicans giving House managers a chance to respond to the White House lawyers, then Democrats asking a question permitting the White House team to reply. The partisan split on impeachment was thus underlined; few new arguments were heard, and the exercise appeared unlikely to occasion any major shift in opinion.

It did, however, provide an opportunity for the Republican managers to answer some of the points raised in the three preceding days by the White House team. The 13 House members had ex- pressed intense frustration, afer the White House side concluded its arguments, that Senate rules gave them no formal rebuttal time.

It appeared unlikely, however, with questions alternating between the Re- publican and Democratic side, that either would be able to score sufficient rhetorical or constitutional points to change the sense of momentum substantially.

Several senators interviewed by The Washington Post after the White House closed its case expressed what they called "some real unease" at the

POLITICAL NOTES

Conservatives Swipe at Bush

WASHINGTON — Three underdogs in the developing battle for the Republican presidential nomination have sought to undermine the conservative credentials of Governor George Bush of Texas.

The anti-Bush assault so early is testimony to the fact that even though the Texas governor has not formally announced, he is the clear front-runner. Winning over the party's conservative base will be crucial for success in next year's primary battle, and the three potential candidates chose the annual meeting Thursday of the Conservative Political Action Committee to make their case.

In the harshest attack, former Governor Lamar Alexander of Tennessee accused Mr. Bush of using "weasel words" in his call for a "compassionate conservatism." Mr. Alexander called such phrases "words cleverly and deliberately put together to confuse people by meaning nothing." The "weasel words" description was coined by Theodore Roosevelt, who, according to Mr. Alexander, compared such use of language to weasels, who "like to sneak into hen houses, latch onto eggs and suck the yolks, leaving empty shells for farmers."

Mr. Alexander was followed in his assault on Mr. Bush by the publisher Malcolm Forbes and the conservative activist Gary Bauer.

Former Vice President Dan Quayle has already been criticized Mr. Bush for his "compassionate conservatism."

He said, "I have ordered my staff to never — EVER — utter the words 'compassionate conservative'! This silly and insulting term was created by liberal Republicans and is nothing more than code for surrendering our values and principles."

Mr. Forbes said in his speech that "it is no great mystery why the majority of voters abandoned the Republican Party." President Bill Clinton, he said, "is a walking, talking monument to the failures of the Republican establishment. Twice the Republican establishment has faced Bill Clinton, twice they have abandoned conservative ideas, twice they have lost. And if we allow ourselves to be seduced by the siren song of these mushy moderates, make no mistake: They will take us down to defeat once again."

Mr. Bauer, who filled the meeting with cheering supporters wearing "Bander Power" T-shirts, said it now looks likely that the Republican field will include both "a Bush Republican" and "a Dole Repu- blican," both of which signal the moderate politics unpopular in conservative circles. Mr. Bauer said he intends to make sure the choice includes "a Reagan Republican," presumably himself.

Karen Hughes, Mr. Bush's communications director, questioned the criticism: "It's perplexing," she said, "that fellow Republicans would attack a popular, conservative governor from a very conservative state whose overwhelming re-election proved conservatives can erase the gender gap and attract record numbers of minority voters while remaining true to conservative principles." (WP)

Republicans Pick Nicholson

WASHINGTON — Jim Nicholson overcame an aggressive challenge Friday to win a second term as chairman of the Republican National Committee.

Mr. Nicholson, a Colorado businessman, defeated the Florida Republican Party chairman, Tom Slade, 127-36, despite disappointment with the party's showing in the 1998 midterm elections. (AP)

Debating 'Social Promotion'

NEW YORK — When Mr. Clinton announced in his State of the Union address that he wanted the federal government to press schools to end "social promotion," he was stepping into a long-standing, mine-laden educational debate: When students fail, is it better to have them repeat the grade or promote them to the next grade to keep them with their age group?

The president, in effect, is opting to hold them back. And while it may seem obvious that promoting failing students does no one any good — giving parents and students false notions of their progress and forcing teachers to dumb down curricula — most studies argue against making pupils repeat grades.

Students held back once usually end up doing somewhat worse in school and have a smaller chance of graduating than equivalent students allowed to move to the next grade. And youngsters held back twice nearly always drop out.

"The term 'social promotion' carries so much emotion," commented Thomas Holmes, head of the department of educational leadership at the University of Georgia, who analyzed 63 studies on the issue. "It sounds like we're letting kids get away with things they didn't earn."

"But we are not stopping to ask what it is and what we could do to avoid it rather than outlaw it."

School systems have seesawed between the two policies for decades. Increasingly, educational researchers say the choice is a false one and that what is needed is a third way: early identification of failing students and intensive intervention through one-on-one tutoring, after-school programs and summer school. But that costs a great deal of money. (NYT)

TERRORISM: Clinton Warns of Attacks in U.S.

Continued from Page 1

Senate. At the very end of the interview, he answered one question related to impeachment by agreeing that the ordeal had placed a great strain on his family and by expressing hope that the worst was over.

Despite the political pressures, Mr. Clinton appeared relaxed and deeply engaged in the complex scientific and policy issues raised by what the White House has called 21st-century threats. He smiled repeatedly, yet spoke of spending sleepless nights pondering new security challenges after the end of the Cold War.

Among other new considerations, Mr. Clinton said he was weighing a proposal to give anthrax vaccinations to police, fire, public health and other emergency officials in cities throughout the country. That would be in addition to the current drive to vaccinate more than 2 million soldiers.

He declined to say whether he himself had been vaccinated against deadly germ agents, saying that the Secret Service had advised him to remain silent.

He also vowed to forge ahead despite congressional criticism with cooperative programs with Russia aimed at providing jobs to some 8,000 former weapons scientists who might otherwise be tempted to work with rogue states or terrorist groups.

Away From Politics

Racial prejudice was the most common motivation for hate crimes in 1997, according to a report by the FBI, which said that it accounted for 4,710 of the 8,049 incidents reported. Among the others, 1,385 were attributed to prejudice about religion. Prejudice about sexual orientation was involved in 1,102 cases. Other biases concerned ethnic or national origin, in 836 cases; disability, in 12, and multiple prejudices, in 4. (AP)

The four largest U.S. cigarette companies, Philip Morris, R.J. Reynolds, Lorillard and Brown & Williamson, have agreed to establish a \$5.15 billion trust fund to help tobacco farmers who face a shrinking market because of the industry's settlement with states, an attorney for the industry said. (AP)



Debris surrounding the badly damaged courthouse Friday after a tornado ravaged downtown Clarksville, Tennessee. AP Wirephoto

Waves of Tornadoes Rip Into Arkansas

The Associated Press

LITTLE ROCK, Arkansas — Tornadoes ripped across the South for the second time in less than a week, killing at least seven people in two states and leaving thousands of people without power.

Wave after wave of twisters hit central Arkansas late Thursday afternoon and evening, collapsing roofs, knocking down power poles and leaving trees strewn about the grounds of the governor's mansion. Six people died.

In Tennessee, a tornado touched down in Clarksville on Friday morning, ripping roofs off buildings. No deaths were reported there, but one person was killed elsewhere in Tennessee. Last Sunday, tornadoes killed nine people in the state.

Two people were killed Thursday in the Little Rock area when trees fell on them, and a 67-year-old pharmacist died of his injuries Friday morning, in Beebe, 30 miles to the northeast, a 2-month-old baby was blown out of a home and killed and another woman was found dead at her home.

At Center Hill, a Sevier county board member died when her mobile home was struck.

Arkansas utilities said the tornadoes left 72,000 customers without power, and the authorities opened five shelters from the Little Rock area to Newark, 90 miles to the northeast. As many as 30 tornadoes were reported to have hit the state during the night.

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INTERNATIONAL HERALD TRIBUNE
THE WORLD'S DAILY NEWSPAPER

As Israeli Politics Opens Up, Ex-Beauty Queen Joins the Party

By Deborah Sontag
New York Times Service

JERUSALEM — A former model and successful cosmetics company owner, Pnina Rosenblum is an Israeli sex symbol, tall, leggy, blonde, glamorous and independent. She is also a new political party.

Entering the mad and volatile race to form the next government, Ms. Rosenblum has gone beyond throwing her hat in the ring for a seat in Parliament. She has founded a movement based on herself and her ideas, and registered as a party.

And Ms. Rosenblum is not alone. In what some see as a breakdown of the Israeli political system and others herald as a fresh new political dynamism, this election has become a free-for-all for new, narrowly cast parties — parties

built on personalities, on single issues, on ethnicity, on gender and on spiritual matters.

Since the right coalition government of Prime Minister Benjamin Netanyahu was dissolved in late December, more than a dozen parties have entered the political game, which has traditionally been dominated here by two parties:

Labor on the left and Likud on the right. Among the newest parties, there is one representing Russian immigrants (the second such) and one representing Moroccans (the third). A new Arab Union party joins two other Arab coalitions, while the first Romanian party, whose platform includes a demand for a Romanian-language cable television station, has emerged.

There is a pro-gambling Casino Party, a pro-marijuana Green Leaf Party and a

pro-mediation Natural Law Party. There is a gray power party, representing the elderly, and two new green power parties, defending the environment. Ms. Rosenblum's party is one of a kind.

"I called it the Pnina Rosenblum Party," said Ms. Rosenblum, who is doing remarkably well in the polls, "because every child and every grown up in this country knows Pnina Rosenblum cosmetics and Pnina Rosenblum pantyhose and Pnina Rosenblum herself. For 25 years, I have been the most famous girl in Israel."

The multiparty system is not new; it is the continuation of a trend that began in the 1980s. But the power of the smaller parties grew exponentially after the last elections, when, under an electoral reform, Israelis were able for the first time to split their vote, casting one vote for

prime minister and another for a party slate for Parliament.

As a result, the two large parties grew smaller, and the small parties grew larger, creating a particularly fractious Parliament with 11 parties, several of which developed the art of holding national legislation hostage to specific interests.

In the next elections, the two major parties, which have been undergoing identity crises, are expected to lose even more seats. And political analysts have predicted that as many as 19 parties will win a place in Parliament, creating a legislative body that is even more unruly than the current one.

"What lies ahead is a potentially quite unstable situation," said Yaron Ezrahi, a political scientist and fellow of the Israel Democracy Institute. "Consensus will be still more difficult to reach, and the

collective spirit of the nation is likely to fragment even further. Everyone will be out for himself."

To obtain a place in Parliament, a party must draw at least 1.5 percent of eligible voters, or about 65,000 votes.

This does not seem insurmountable to those like Ezra Tisora, a gambler whose new party seeks to push Israel to emulate the success of the Palestinian Authority's casino in Jericho, or Avraham Agoulin, whose Moroccan Party wants to obtain for former immigrants from North Africa "all the benefits that the Russians receive."

Emboldened by a sense that the political landscape is opening up, the newest parties include several disaffected former members of Labor and Likud. Two new rightist parties have sprung up for those who think that Likud has gone soft on the Palestinian issue.

Ms. Rosenblum, 44, is a phenomenon that no one is underestimating.

The daughter of an Iraqi immigrant, she grew up very poor in a town outside Tel Aviv. After winning a beauty contest at 17, she became Israel's best-known fashion model. At 25, with a \$10,000 loan from a friend from New Jersey, she started a cosmetics line named after herself, which grew into a large company.

"I achieved this dream and gave much pride to women," she said.

"People admired me because I grew up in a shack, and then I built everything all by my hand. One time on TV, they asked me when I'm going into politics. I said maybe the year 2000. And the people, they jumped on my remark. I got letters from all over the country. They wanted a new face, someone who started from the bottom and raised herself up."

"I decided to take the step," she added. "And I made my own party because I'm very independent and by myself, I will have more power."

■ Aide Fails to Register

Prime Minister Netanyahu's popular defense minister, Yitzhak Mordechai, did not register for primaries in the ruling Likud party by Friday's deadline, fueling speculation that he will leave the party and join a new centrist grouping. The Associated Press reported from Jerusalem.

A defection by Mr. Mordechai would be a severe blow to Mr. Netanyahu's chances to get re-elected May 17.

Pnina Rosenblum, "the most famous girl in Israel," is jumping into the country's election free-for-all.

Kosovo Monitors Find That 45 Killings Were Revenge by Serb Forces

By Jane Perlez
New York Times Service

WASHINGTON — International monitors who discovered the bodies of 45 ethnic Albanians shot execution-style have concluded in their official report that the attack in the Kosovo village was an act of revenge by Serbian forces for the killing of four of their men.

The report, which has not been made public, described a scene of bodies with wounds from gunshots at close range and in some cases at "extremely close range" in the front, back or top of the head.

The monitors, who were on the scene

immediately before and after the massacre, concluded that "the facts as verified by the Kosovo Verification Mission include evidence of arbitrary detentions, extrajudicial killings and the mutilation of unarmed civilians of Albanian ethnic origin by the Yugoslav Army and police."

The monitors' report, written chronologically from Jan. 8 to Jan. 16, the day after the killings, listed each body found at the site, saying, for example: "One adult male killed outside his house. The top of his head had been removed and was found approximately 15 feet away from his place of death. The wound appeared to have been caused by an ax but may have been from a bullet."

The report said one 12-year-old boy had been shot in the neck and one male teenager had been shot in the abdomen.

The discovery of the massacre on Jan. 16 and the immediate assertion at the scene by a senior U.S. diplomat that Serbian forces had been responsible for the killings led to the current crisis within the administration of President Bill Clinton and the North Atlantic Treaty Organization over what to do about the separatist province of Kosovo.

Yugoslav officials have asserted that the slain ethnic Albanians were combatants and that their bodies were taken to one spot by other ethnic Albanians to create the appearance of a massacre.

The circumstances of the massacre were further inflamed when the Serbs accused William Walker, the American diplomat who heads the teams of international monitors for the Organization for Security and Cooperation in Europe, of being a stooge of the ethnic Albanians.

The account of the killings, entitled "Special Report: Massacre of Civilians in Racak," was written by monitors of the European security organization's Kosovo Verification Mission and has been given to diplomats from the 54 member countries. More than 700 unarmed monitors were placed in Kosovo after a cease-fire agreement last October.

Details in the report were elaborated in an oral presentation by a German diplomat, Bernd Borchardt, who was at the scene of the slayings.

Mr. Borchardt, deputy head of the human rights mission of the European security organization in Kosovo, told diplomats in Vienna that the victims were "bullet peasants," many of whom were dressed in rubber boots. He said that the male victims were not dressed in heavy boots used in military action.

In their report, the monitors said that after a "well-prepared ambush" by ethnic Albanian guerrillas that left four Serbian police officers dead, Serbian forces started moving armored vehicles into the area of Stimje, near Racak.

On the day of the massacre, Jan. 15, the monitors were prevented by Serbian forces from entering Racak but could see houses burning there.

Late in the day, the report said, a patrol car of monitors drove into the village. The monitors saw one dead Albanian civilian and five wounded people and heard reports that 20 males had been taken away by Serbian forces. The monitors had to leave because darkness was falling, the report said.

The next morning several teams of monitors returned and heard accounts from survivors who said that after artillery attacks by the Yugoslav Army and Serbian police, Serbian security forces entered the village. Some were dressed in police uniforms, and others were in black uniforms and ski masks.

The witnesses said they recognized some of the police as being from Stimje. They also said that the some of the "assailants" were Serbian civilians dressed in police uniforms.

The bodies of 23 men "of various ages," last seen alive when the police were arresting them, were found on a ridge behind the village, the report said.

The bodies of four other men were found in a ravine near the village. They apparently were shot while trying to run away. The bodies of 12 other men and a 12-year-old boy were found in various places within the village, including in some houses.

Some families retrieved the bodies of their relatives and brought them inside, the report said. The bodies of five other adults had been taken by family members to nearby Malopojce.

Mr. Walker arrived at the scene at 1 P.M. on Jan. 16. By that time, the Serbian forces had left and there was a "heavy presence of uniformed KLA in the village," the report said, referring to the Kosovo Liberation Army. The guerrillas, who were agitated and in a vengeful mood, were advised by Mr. Walker to exercise restraint, the report said.



Sailors working aboard the U.S. aircraft carrier Enterprise in the Adriatic Sea on Friday. NATO is sending warships to the area in response to Slobodan Milosevic's refusal to back down in the Kosovo crisis.

Intel Chip's Security Feature Raises Privacy Concerns

By Elizabeth Corcoran
and Robert O'Harrow Jr.
Washington Post Service

WASHINGTON — Privacy advocates are voicing criticism of plans by Intel Corp. to introduce "personal-computer chips" that can "transmit unique identification numbers when on-line."

The signals, which are intended to protect electronic transactions, are drawing criticism because they will also help marketers track consumers' every move in cyberspace.

The technology is built into Intel's new Pentium III microprocessors, which are scheduled to go on sale in the next few months and will quickly be incorporated into new computers on store shelves.

Affirming who is who on-line is a key problem that must be solved to make electronic commerce blossom. Executives at Intel described the technology as an important step in that direction. In essence, the new chips will transmit an identification number that World Wide Web sites can use to guarantee that a machine really belongs to its purported owner — that Jane's computer really is Jane's computer.

Privacy experts worry that the feature will force consumers to leave an identifying mark wherever they go on-line.

"It's the computer equivalent, if you will, of Social Security numbers," said Barry Steinhardt, associate director of the American Civil Liberties Union.

Here is how it would work: Whenever a computer that has the new Intel chip is

From Information Highway to the Roadway, a Similar Worry

Washington Post Service

WASHINGTON — For the first time since authorities began requiring photographs for drivers' licenses, officials in several U.S. states have begun selling the images wholesale, in another example of the growing availability of troves of personal information via modern technology.

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"It's the computer equivalent, if you will, of Social Security numbers," said Barry Steinhardt, associate director of the American Civil Liberties Union.

Here is how it would work: Whenever a computer that has the new Intel chip is

turned on, the machine will automatically pump out a unique serial number if the computer is connected to the Internet or another on-line network.

Intel will not keep a record of such serial numbers, said Patrick Gelsinger, vice president and general manager of the desktop products group at Intel. But when the consumer ventures into cyberspace, Web sites will be able to receive that number.

If the site has required that the person "register" and provide details such as name, address and other information, the

Web site will have an easy way of tracking what the visitor does on-line.

Still, consumers will be able to shut off the identifying number, Mr. Gelsinger points out. Intel has written software that will let people know when their PC is sending out its serial number.

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PLANE: Rollout of 'Stealth' Fighter Was Only a Russian Bluff

Continued from Page 1

The plane on the tarmac, he noticed, lacked radar-evading stealth characteristics. For example, he knew that stealth technology required hiding the air-intakes, to achieve the smooth edges that evade radar. But the plane on the tarmac had large, angled air intakes that could easily show up on radar. It did not have other stealth characteristics; for example, it lacked a special radar-absorbing coating, or hidden places for the

A Western expert who saw the picture of the plane on the tarmac said, "The visible structure was not new."

In fact, according to Mr. Zhitin and others, the plane on the runway was built years ago to test the prototype engines for a new fighter.

It was a flying laboratory for the engines alone, not a combat plane, Mr. Zhitin said.

On the Russian television news that evening, there were no questions asked about the great advance in Russian military aviation. The news reports, showing the plane on the tarmac, told of the first glimpse of the MFI, the Russian acronym for multifunction, front-line fighter.

"According to experts, it can attack up to 20 targets simultaneously," the Far-Tas news agency reported. Mr. Gelsinger was quoted by Interfax as saying that the new fighter was better than anything in the Russian Air Force and was "not inferior to the most advanced Western models."

"BLUFF" was the headline over Mr. Zhitin's article, saying that the whole ceremony had been for a plane that does not yet exist. The Western expert agreed, saying it was "industry hype."

In fact, the Soviet Union did begin a fifth-generation stealth fighter project in the early 1980s. It was given the code name Project 1/42, and planned to be a 30-ton, twin-engine, single-seat plane capable of flying more than twice the speed of sound. On the drawing board, at least, the \$70 million fighter was to have thrust-vectoring engines allowing it to

make tight turns at any speed. But Project 1/42 ran into financial trouble. It was frozen in 1994, and supposedly terminated in 1997. Some mock-ups and parts of the plane reportedly exist at the design bureau that worked on it.

Russian officials have hinted at air shows that Project 1/42 was never fully canceled. But Mr. Zhitin said, "The program has stopped." He said his sources were workers on the real stealth plane who were angry about the ceremony.

In test the supersonic engines, Russian designers built a test plane designated Project 1/44. It was the one that was rolled out on the tarmac, Mr. Zhitin said, recalling that he had seen the same airplane two years ago in a hanger.

Mr. Zhitin said that what he called the "bluff" had been carried out to cover up financial misdealing in the aerospace industry. He said some officials were questioning whether Project 1/42 had disappeared.

The MiG company has been stung by the disclosures. In response to questions, a spokesman, Sergei Samatov, said Mr. Zhitin's claims "are not true to reality, to put it mildly." He added the fighter "is not a bluff and it is practically ready for the first flight that will happen in March 1999."

But another official acknowledged that the plane that was rolled out on the runway was in fact the engine-testing model, a far cry from the stealth version.

Anatoli Kvochur, deputy head of the Gromov flight-test institute, said that the test plane was "roughly speaking" the first flying model" of the stealth. "Naturally," he said, "the plane will be different, it will have a different wing, but it will happen after a certain stage of flying tests."

"This country needs such a plane," he said. "Whether our budget can afford such a plane is a different thing."

Fighting Spreads Around Brazzaville

Reuters

KINSHASA, Democratic Republic of the Congo — Rocket and machine-gun fire rocked Brazzaville, the capital of Republic of Congo, on Friday, and some rounds fell in Kinshasa across the river, witnesses said.

In Paris, the Foreign Ministry said the report was from its former colony. "We are studying appropriate steps to allow those who want to leave to do so, according to how the situation evolves," Anne Gazeau-Secret, a ministry spokeswoman, said. There are about 300

French nationals in Republic of Congo.

A French gendarme was shot to death as he stood guard at the French Embassy in Brazzaville. French military officials said he was killed outside the main gate while trying to stop about 20 gunmen who were attacking the embassy.

Aid workers said fighting had engulfed several districts of the city. Shelling has been coming from the city center toward the southern suburbs of Makélékélé and Bacongo, strongholds



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ART

Nouveau Collecting

An Obsessive Love

By Rita Reif
New York Times Service

NEW YORK — In 1972, Robert Schreiber, a New York entrepreneur, moved to Stockholm to sell Frye boots and bell-bottom jeans to descendants of the Vikings. His business flourished over the next five years, and he spent most of his profits on Art Nouveau objects.

"Galle lamps and Tiffany ceramics were my weaknesses," he said. "But I couldn't afford expensive Art Nouveau. So I bought as many of the less costly Swedish turn-of-the-century porcelains by Rosstrand that I could find."

Schreiber chose to collect — obsessively at times — Rosstrand's frosty looking porcelains, decorated in relief with pastel images of insects, marine life and flowers. He began with a bud vase, a gift adorned with an image of Sweden's St. Nick, a pensive figure with a glorious white beard and red hat called Julmann.

"The vase had that cold Yule look, snow dripping on the old man on the front and on the fir forest on the back," Schreiber said. "I just knew I had to have more examples of these porcelains."

Today his collection of 150 Art Nouveau Rosstrand vases, bowls and jardinières is described by experts as the largest and most important anywhere. A selection of 86 pieces is now on view in "Rosstrand: Swedish Art Nouveau Porcelain." From the Schreiber Collection," at the American Craft Museum in Manhattan through May 23. The show was seen in a different version last year at the National Museum in Stockholm.

Before Schreiber bought anything, he visited the Stockholm museum to familiarize himself with the best pieces made by Rosstrand in this style. He was struck by five porcelain decorated vases on display, but such masterworks were impossible to find then in the marketplace. So he bought only, as he put it, "our visits to the homes of friends' grandmothers."

Once the style became more popular in the late 1970s, the pace of his buying quickened. To finance his collecting, he became a private dealer, selling pieces from his collection to art dealers like Lillian Nassau.

"I've always been an over-bought collector," Schreiber said. He collected stamps and campaign buttons this way as a boy. He also over-bought as an



Detail of a vase with dragonflies, by Karl Lindstrom circa 1905.

adult, when he focused first on cigarette lighters and later switched to ceramics: Rosstrand porcelains, Rockwood pottery, Tiffany earthenware and Swedish Art Deco stoneware by Gustavsberg.

While its porcelain is now considered a high point in the Rosstrand company's history, the factory came late to producing this material. Founded in 1726 at Rosstrand Castle in Stockholm, it was called the Swedish Porcelain Works. (It's now a division of the Håkman Group of Helsinki, a Finnish conglomerate). The ceramics made there were deiftlike earthenwares and, briefly, faience, or soft-paste porcelain. The factory began producing Art Nouveau porcelains, mostly in limited editions, after 1897.

Rosstrand's porcelains are far less sinuous in form and sinister in motifs than the most expressive works by the French and Belgian Art Nouveau artists. The Swedish pieces incorporate familiar Art Nouveau images (dragonflies, swans, water lilies and anemones) as well as those of Swedish flora and fauna (sweet peas, thistles, star fish, salamanders, crabs and walruses).

Rosstrand's artists designed pieces that were in the more abstract Arts and Crafts mode as well as the free-flowing Art Nouveau style. Ruben Rising

did both on different vases, using sweet peas to form a spinelike pattern and to shape a curvy mouth. Algot Eriksson opted for the undulating line: He pinched the neck of a delicate white vase to create a mouth that resembled a blossoming flower.

THREE effects, devised under Rosstrand's director, Robert Almstrom, and chief designer, Alf Wallender, helped restore craftsmanship to the industrial process at the turn of the century. Artists were made part of the creation of these porcelains from the first sketches to the final glazes.

"The Rosstrand works were closer to studio works than factory-made products," said David Revere McFadden, chief curator of the American Crafts Museum. "This focus on process, even in factory settings or large studios, has been emphasized by this museum since its founding — in the landmark Louis Comfort Tiffany exhibition of 1958 and the Frank Lloyd Wright show of 1992."

The exhibition and a companion show of 20th-century Sevres were organized to reflect this thinking by McFadden. They are the first exhibitions organized by him since he joined the museum in late 1997.

Rosstrand's artists designed pieces that were in the more abstract Arts and Crafts mode as well as the free-flowing Art Nouveau style. Ruben Rising

In Paris, the Treasury of St. Francis of Assisi

New York Times Service

NEW YORK — A major show in Paris of Italian Renaissance art began as an effort to raise public awareness of the damage earthquakes did to precious frescoes in the Basilica of St. Francis of Assisi two years ago in central Italy.

Three organizations — the Ministry of Culture in Rome, the Apostolic Library at the Vatican and the Basilica and Convent of St. Francis at Assisi — organized an exhibition of 70 works of art and objects. It is now at the Petit Palais in Paris until mid-February, and will travel to the Metropolitan Museum of Art in New York.

This core exhibition will be supplemented by 30 more works from mu-

seums and private collections in Europe and the United States to create "The Treasury of St. Francis of Assisi." It will be at the Met from March 16 through June 27.

The exhibition will include medieval and Renaissance panel painting, sculpture, goldsmiths' work, textiles and illuminated manuscripts. It will show the development of early Renaissance art.

"With the reconstruction of the basilica, there was an opportunity to remove many objects and give them greater visibility," said Philippe de Montebello, director of the Met. "Assisi was one of the greatest centers of art in the 13th century."

Laurence B. Kanter, the Met curator in charge of the exhibition, said he had

selected "both the most telling masterpieces and works of art in the best condition that could travel safely from Assisi."

The show has three parts. The first covers the Basilica of St. Francis, beginning with its founding in 1228 as a center of piety.

THE second explores the large artists' workshops that existed around the Convent of Assisi during its construction and decoration from 1230 to 1330.

The last features objects, mostly panel paintings that were given to the Basilica in 1955 by the American art historian and dealer Frederick Mason Perkins.

CROSS WORD PUZZLE By Robert Mulinow

ACROSS

- 1 Jumble
- 5 Gut feeling?
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- 14 70s' Mercury
- 19 — Rio
- 20 Cole Porter title
- 21 Rumble
- 22 Ethical Culture Society founder
- 23 Certain corner square
- 26 Voted 60% radical
- 27 First name in horror
- 28 Snapping points
- 29 "Darn —"
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- 99 All part of a —
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- 104 Subject of strike talks
- 105 "Who's he with you?" response
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The Clinton Defense

It's Time for a Vote

The senators have now heard the House prosecutors and President Bill Clinton's lawyers debate both the evidence and the constitution. They have heard hours of argument as to whether they should be punitive or forgiving about the fact that Mr. Clinton lied under oath. But what they have not heard is a convincing argument that his misconduct, whether viewed darkly or with compassion, meets the standard for removal spelled out in the constitution.

That is because Dale Bumpers, the former senator who concluded the president's defense with a geyser of folksy oratory, was right. Mr. Clinton's conduct can be described as indefensible, outrageous and shameless. But it does not constitute the "distinctly political offense against the state" that the framers regarded as necessary for impeachment.

The majority leader, Trent Lott, suggested that he grasped this by urging the senators to conclude their questioning of the presenters by Friday afternoon. That would clear the way for a vote early next week that would demonstrate that the 67 votes required for removal are not there. It is time for such a vote, and it is in the political interests of both sides to have it as soon as possible.

The Democrats want it because they sense that the steam will go out of the

prosecution once the public sees a convincing test vote. The Senate Republicans, for their part, want to get loose from this issue.

The House prosecutors have not been able to spread their passion to the senators of their own party. Most of them realize that if the Reverend Pat Robertson is willing to concede that the president cannot be removed, it is time to settle up.

Mr. Lott's immediate problem is still that of getting around the question of calling witnesses. It will be an unproductive exercise. We believe, like the big majorities in the polls, that a common-sense analysis of the record shows that Mr. Clinton gave false testimony under oath and tried to impede justice. We also grant that the Clinton defense team raised reasonable questions about whether this conduct would be found by a court to meet the legal definition of perjury and obstruction.

Representative Henry Hyde warned Thursday against a "rush to judgment" because he sensed that the Senate was ready to conclude. There will be a lot of skirmishing over the witness issue during the weekend. Mr. Lott should insist that none can be called unless they add striking new evidence. If that is the standard, the Senate can be ready to vote down removal and move on to censure early next week.

—THE NEW YORK TIMES.

Blips on Both Sides

The defense presented by the Clinton legal team in its initial three days of argument in the Senate was an impressive effort to recast the record in the most innocent fashion conceivable. The president's lawyers highlighted overlooked material from the grand jury proceedings, corrected distortions of the record by the House impeachment managers, distorted the record themselves at times and polished it all off with somewhat overstated constitutional arguments.

The White House had considerable help in making its arguments from the

impeachment managers themselves. It was, after all, largely the undisciplined nature of the House's case that fueled the president's defense. On the strongest and most central perjury allegations — those related to the details of his sexual relationship with Monica Lewinsky — the president's defense remained unconvincing, while her testimony remains credible. Similarly, the strength of the White House's presentation on the obstruction of justice article highlights mainly the folly of the House's having impeached the president on this count without having done any investigation of its own.

—THE WASHINGTON POST.

Caution on a Missile Shield

During the Cold War, when the only real missile threat to America came from the Soviet Union, building missile defenses was rightly seen as a bad idea. The other side simply would build more offensive missiles so that some got through any shield. Today's world is different, with reckless lesser powers like North Korea developing long-range missiles that could one day reach U.S. soil.

The Clinton administration is right to devote money and effort to designing a limited missile defense system to counter that potential threat. But America's preparations have to be guided by the immediacy of the danger, the technical challenges and the possible diplomatic consequences for managing nuclear relations with Russia and China.

The administration is acting responsibly in moving ahead with a \$4 billion research and testing program over the next six years and setting aside \$6.6 billion for possible future construction. But the White House must not let itself be rushed into a premature decision to proceed with construction. North Korea is closer to being able to launch a missile attack on the United States than was previously thought. The three-stage rocket it tested last year, once

perfected, would probably be able to reach parts of Alaska and Hawaii. What must now be determined is what kind of technologies can be produced to intercept a limited number of missiles.

Despite 40 years of research and testing, America does not yet have a reliable system to defend against long-range missiles. The challenge is formidable, akin to shooting at speeding bullets. But some day a reliable system will probably be developed. The actual building of a defense system should wait until it is.

Missile defenses are currently restricted by a 1972 treaty between the United States and Russia. That treaty underpins current nuclear arms reduction agreements between the two countries, since neither would be willing to reduce its arsenal if its missiles were likely to be intercepted in mid-flight.

Renegotiating the treaty to allow a limited defensive system directed against North Korea and other rogue states may be possible, despite Russia's reluctance to do so. But the subject must be approached carefully. Defense Secretary William Cohen's threat that America could simply renounce the treaty if Russia resists amendments was a poor way to start.

—THE NEW YORK TIMES.

Seeds of Reconciliation

Iran is asking to buy a half billion dollars worth of wheat and other farm commodities from the United States. Such a deal would allow a gaping hole in the trade embargo Washington maintains against the Islamic revolutionary regime. This would no doubt please the Iranians. American farmers and their lobbies and legislators also like the idea. But a deal on Iran's terms would provide no assurance that it would address prime American concerns: Iran's support of international terrorism, its opposition to Middle East peace talks and its reach for weapons of mass destruction. These are good reasons for not being carried away.

But this is not the whole story. Just last month, unidentified thugs in Tehran were murdering noted dissidents and opposition figures. The West's hopeful cheer for the efforts of moderates to recapture the Iranian revolution for the rule of law were fading.

—THE WASHINGTON POST.

But that was before the stunning official announcement of the arrest of about 10 operatives of the state intelligence agency. A moderate faction identified with President Mohammed Khatami is putting these developments to the service of justice and reform. In revolutionary Iran, control of the security forces runs not to the government but to the religious hierarchy, which is led by Ayatollah Ali Khamenei.

Iran and the United States have grievances dating from the Cold War period but no real conflicts in abiding national interest; they share a concern for the stability and welfare of the Gulf. The murders were a step back in their relations. But the arrests and any trials to come could strengthen the case for restoration of diplomatic relations.

Grain sales would fit well in a context in which the interests of both countries were finally being addressed.

—THE WASHINGTON POST.

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—THE WASHINGTON POST.

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Brazil's Crisis Ricochets More Than Impeachment

By Moises Naim

WASHINGTON — The American presidency is under siege, and the world does not seem to care. Yet when Itamar Franco, a provincial governor in Brazil, recently decided to suspend debt payments to his national government, international markets trembled. His decision pushed the dollar down, shook up the financial markets and, a few days later, forced a devaluation of Brazil's currency.

"We obviously felt the shock," said the German finance minister, Oskar Lafontaine. Wim Duisenberg, president of the European Central Bank, publicly worried about the effect of Brazil's situation on the recently introduced euro.

How can the impeachment trial of an American president have less of an international impact than the populist machinations of a Brazilian state governor? Perhaps the lack of discernible international consequences to President Bill Clinton's impeachment stems from the widespread disbelief that he

will be ousted. Or perhaps American institutions are so strong that a presidential impeachment is not perceived as a threat of changes in policy.

In contrast, the Mexican, Asian and Russian economic crises have shown that if a country such as Brazil crashes, the international repercussions are profound, swift and very tangible. It is not that the United States does not matter. The world would not be indifferent if Alan Greenspan or Robert Rubin were replaced, for example.

This also does not mean that economics has completely displaced politics as the force that shapes how countries relate to one another. Globalization has never been just about economics.

In fact, it is spawning new forms of international political contagion that are equally profound and potentially destabilizing, though not as widely recognized. Ask the Chileans — who have

endured riots and the potential derailment of their successful democratic transition, thanks to the actions of a judge on another continent — if they see globalization only as an economic phenomenon.

The attempt by a Spanish judge, Baltasar Garzon, to extradite Augusto Pinochet is a powerful reminder that politics continues to matter and that political shock waves now travel across the world at the same speed and with the same destabilizing consequences as the surging tides of speculative capital.

Moreover, the number and nature of the actors who intervene in international affairs have also changed, as have the rules that guide their behavior.

Governments and their ministries of foreign affairs have even less control over which international issues become national priorities and how they should be handled. In the Pinochet case, a lone judge and a powerful coalition of international civil organizations led by Amnesty International

defined the issue, took action and created important precedents with consequences on a global scale.

Meanwhile, governments scrambled to improvise policies to respond to a confusing situation where past practices offered little guidance.

A world largely oblivious to the American president's impeachment is hyperactive to the actions of a provincial official in a less developed country and of a judge whose unilateral actions rocked the political system of a nation an ocean away is a world that has become interconnected in ways no one really understands.

What is clear, however, is that the average American family is likely to be more affected by the crisis in the Brazilian state of Minas Gerais than by the crisis in Washington. Too bad Congress has not noticed.

The writer, editor of *Foreign Policy*, contributed this comment to *The New York Times*.

Waiting for the 'Just King' to Calm Indonesia's Chaos

By Stanley A. Weiss

WASHINGTON — *Reading about the deepening crisis in Indonesia alarmed and confused me, so I asked a Javanese friend to help me understand events in his important country. I just received his letter, which says it best:*

You asked me to tell you what is happening in Java, and therefore Indonesia. The truth is, nobody knows. It can best be summed up by a recent headline in *The Jakarta Post*, "Soothsayers Predict Gloom."

As in the shadow play "Wayang Kulit," Javanese political philosophy requires a polarity of good and evil, an incessant rhythm of change, from times of chaos — periods of unrest, rebellion and turbulence — to times of peace under a *raju adil*, a just king.

And there is no denying that Java is going through crazy times. Harmony has vanished. Even the weather has gone mad. So much rain has fallen that the ancient temple of Candi Selogriyo, after having withstood 1,200 rainy seasons, collapsed in a landslide three weeks ago. It never rains in Indonesia — it pours.

Respect, for authority, has vanished, as it always does after a dictator has been overthrown and his iron rule ended. Ke-

rtomasi is fast becoming the rule of the mob. For too many people, it means doing exactly what they want. They have discovered that they now hold the power, but they do not yet know what power has responsibilities and obligations.

You bear a grudge; you do not like a new price; you feel that one of your colleagues has been slighted. The solution is simple. You burn the shop, the factory, the police station. The army and the powers-that-be are too scared to act. They sit idly by in an ever-present haze of smoke.

The economic situation is dreadful. The rupiah is stronger because the government goes into the market every day and exchanges \$30 million to \$50 million worth of dollar-denominated loans. Yet many parents are taking their children out of school because they cannot afford the 10,000 rupiah (\$1.25) to pay subsidized school fees for the term. Hoarding of essential goods is beginning again.

Corruption is worse than ever. The civil servants, and anyone else in a position to do so, engage in corruption because they would not survive otherwise. The rich, and the powerful are lining their pockets with aid money again in case they have to make a run for it.

Indonesians have always been masters at borrowing money, using and abusing all the big countries — Russia, China, Germany, Japan, the United States and now the International Monetary Fund. And what has it meant for ordinary people?

During the fasting month of Ramadan, the political climate was more subdued. Everybody, even the students, restrained themselves. Traditionally, companies provide their workers with an annual allowance before the end of Ramadan. This year there was little or none, and the poorer people have no money.

There is much anger and frustration under the quiet exterior of enduring acceptance. If this anger is not released soon, we are in for a long, messy process of continual decline, and that might lead to a real civil war.

Remember that President Suharto's "New Order," in which power passed to a small group in the army and in the internal security organization, remains intact. His supporters do not want to change, whatever they may claim. Change means their political, economic and social suicide. They have a vested interest in a slow, socially

disruptive but ultimately controllable period of bad news. This could persuade the people that the only answer is martial law and the postponement of the June elections.

But an eruption would create a general sense of *malu* (deep shame), encompassing all social classes, restoring peace and forcing change. It would be too strong for the ruling political elite to control by martial law. And I do not think the common soldiers can be counted on to fire on their own people; the soldiers all have family members who are suffering.

Out of all of this chaos and the subsequent sense of shame, the just king will emerge out of the cosmic light. I know this sounds as if I have gone mad, but this is Java. And we Javanese believe it in our souls, especially the philosophical intellectuals and the paranormals — the soothsayers, mystics and gurus.

The rumors are that this rambling is in somewhere in a political jail. If his name comes out too early, he is a dead man.

The paranormals — now all of Java — talk about Sept. 9, 1999: a row of nines, the sacred number of Java. That is a big, big day to watch. It is when the real action is supposed to take place.

Stanley, my friend, this is

Inquiry

Exile Activists: Good Life Abroad but No Accountability

By Sunanda K. Datta-Ray

Kethavy, the millionaire American who ran for Parliament in 1993 elections.

The world is on the move. The rich pursue advertisements offering Belizean or some other exotic citizenship for \$45,000 or a "fully renewable" European passport for \$27,000 "plus expenses." The poor mortgage themselves to syndicates that promise a landing job and opportunity.

The British Conservative politician Norman Tebbit once accused Indian, Pakistani and Caribbean settlers in Britain of disloyalty for cheering visiting

foreign country. A nice country, a cricket team from those countries. Passports are less an affirmation of loyalty than a ticket to the labor market; citizenship is a flag of convenience.

Two years ago, a defeated electoral candidate in Bangladesh wanted the victor disqualified because he was British; the victor retaliated by citing a dozen legislators, including several ministers, who were also British subjects.

Actually, Bangladesh's Citizenship Act permits citizens to itself broke with the Yugoslav federation; Tamils in Canada finance Sri Lanka's separatist Tigers; Sikhs in California fuel the demand for a Sikh homeland in India, and Washington seems to expect Iraqi dissidents in London to liberate the motherland.

All these ethnic groups pour money and rhetoric on the shrine of an abandoned homeland. They pay no taxes there, bear no responsibility and are not accountable to anyone. But like Filipino workers abroad whose remittances matter to Manila, absence makes them far more consequential to the country of birth than they will ever be in the land of adoption.

The great immigrant nations want legal migrants assimilated as quickly as possible, like Greeks-Australians with sounding Anglo-Saxon names.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1899: Modern Kaiser

BERLIN — The Emperor William II is a modern monarch, and a man of progress. He has just issued an order permitting official so-called "immediate reports" submitted to him by various Government offices to be written henceforth by the typewriter. The typewriter thus becomes Hoffmühle (admissible to Court) and, what is more, admissible to society. It has not hitherto been thought polite to use the typewriter for other than business letters. His majesty made, however, a restriction, directing which machine is to be used

U.S. and EU On Brink of Trade War

Dispute Over Imports Of Bananas Worsens

Compiled by Our Staff From Dispatches

BRUSSELS — Fears of a trans-Atlantic trade war over the European Union's restrictions on banana imports grew Friday as the EU and the United States clashed bitterly over how to resolve the dispute.

The European commissioner for international trade, Sir Leon Brittan, said the bloc had asked the World Trade Organization's General Council to rule on whether the United States has the right to impose sanctions over a claimed failure by the European Union to amend its banana import regulations to comply with a WTO ruling.

Sir Leon said the move to ask all WTO members for a ruling on the interpretation of the rules was aimed at finding an "amicable solution" to the dispute.

But Rita Hayes, the U.S. ambassador to the WTO, said she was "appalled" by the EU proposal, which she described as a "gimmick" carried out in bad faith. The EU initiative is designed to head off an expected U.S. request for WTO authorization to place punitive, 100-percent tariffs on selected imports from Europe as of Feb. 1. The request is due to be put to the WTO on Monday.

The United States believes it is justified in the action, insisting that the EU has not changed its banana import regime to comply with a WTO ruling that discriminates against U.S. multinationals in favor of producers from former European colonies in Africa and the Caribbean.

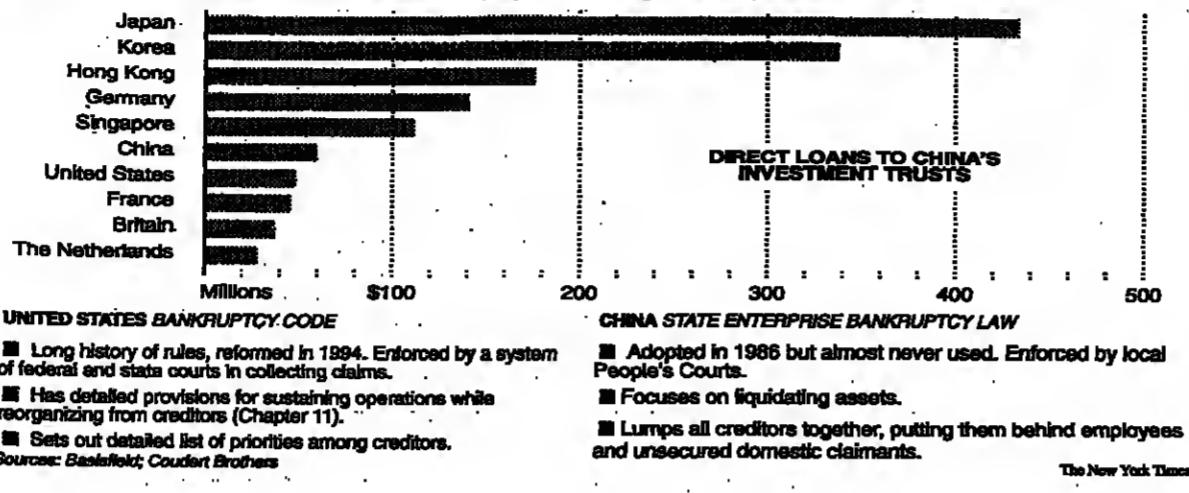
The EU insists it has made significant changes to the regime and that the United States must await a new WTO ruling on the revised system before resorting to "unilateral" retaliatory action.

Japan said Friday that it would back the EU in opposing unilateral U.S. sanctions. Also on Friday, Finance Minister Kiichi Miyazawa called for bilateral talks on the U.S.-Japan steel trade, saying he did not believe Japanese steel exports to the United States would rise significantly in 1999.

The United States has accused Japan of flooding the market with cheap steel exports and contributing to the U.S. trade deficit, which rose sharply in November. (AFP, Bridge News)

In China, No More Guarantees

When one of China's largest state-owned investment trusts ran into trouble, foreign bankers expected to be bailed out. But China invoked its seldom used bankruptcy law, leaving outside creditors in the lurch.



Source: Standard & Poor's

■ Long history of rules, reformed in 1984. Enforced by a system of federal and state courts in collecting claims.

■ Has detailed provisions for sustaining operations while reorganizing from creditors (Chapter 11).

■ Sets out detailed list of priorities among creditors.

Source: Standard & Poor's

■ Adopted in 1986 but almost never used. Enforced by local People's Courts.

■ Focuses on liquidating assets.

■ Lumps all creditors together, putting them behind employees and unsecured domestic claimants.

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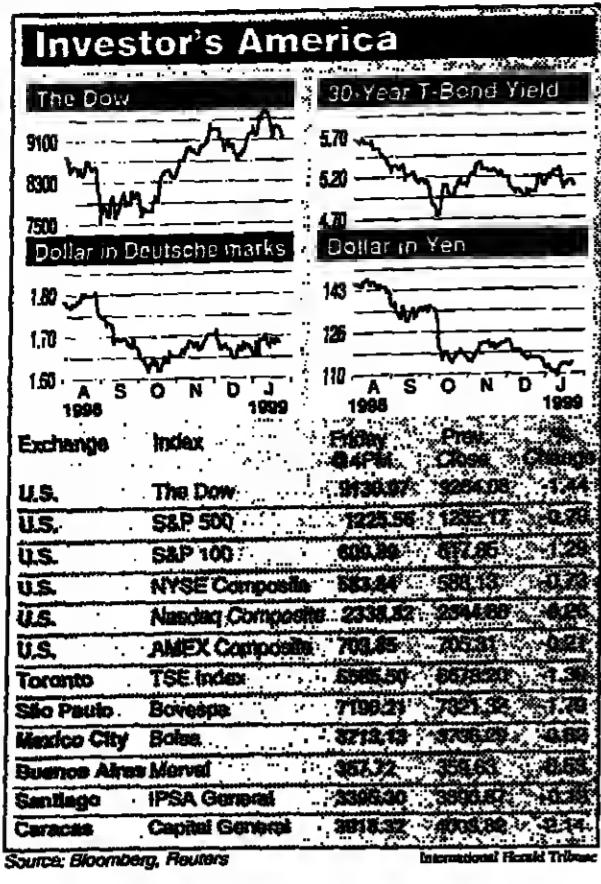
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The New York Times

THE AMERICAS



Source: Bloomberg, Reuters

Brazil and IBM Keep Blue-Chips Down

Compiled by Our Staff From Dispatches

NEW YORK — Stocks closed lower Friday, with worries about the fallout from Brazil's economic problems and sharp losses by IBM hitting the market.

The Dow Jones industrial average closed 143.41 points lower at 9,120.67, and the Standard & Poor's 500 index ended down 9.97 points at 1,225.19. Declining issues outnumbered advancing ones by a 3-to-2 ratio on the New York Stock Exchange. The Nasdaq composite closed down 5.84 points at 2,338.88.

Concerns that Brazil's economic instability and currency devaluation could weaken other countries in Latin America — a major U.S. trading partner — weighed on stocks. São Paulo's Bovespa stock index tumbled about 2 percent on worries about the real and the flight of dollars from the country, Latin America's biggest economy.

"Brazil is a factor," said Donald Seltin, chief market strategist at Joseph Gunmar & Co. "But I don't think it is going to derail the bull market."

IBM was the biggest loser on the Dow, falling 17 to 180 after reporting disappointing sales of its computer servers in the fourth quarter.

U.S. STOCKS

While the computer giant posted a 12 percent increase in earnings, most of the growth came from computer services and software products rather than in its core business.

"When IBM earnings came out good, but not spectacular, it combined with Brazil for a general reallocation," said Dan Ascani, president and director of research at Global Market Strategists.

Lucent Technologies, which on Thursday also reported strong earnings but sales that slightly disappoint-

ed analysts, fell 3.34 to 103.31.

"When you look at stocks like IBM and Lucent, they were priced for perfection," said Jon Oleaky, head of block trading at Morgan Stanley Dean Witter & Co. Investors want to see "not a hiccup, not a wrinkle."

Some Internet stocks, which fell sharply in early trading, rebounded near the close. While investors worry that the Internet stock boom will soon end, many could not resist the bargains available after a steep sell-off on Thursday.

Investors also were still willing to take a chance on relative unknowns.

Covad Communications rose 27% to 45% after an initial public offering of 7.8 million shares priced at 18. The company provides high-speed Internet access over copper telephone lines.

Imaginon rose 1 to 6.25/32 after it said it expected to win a patent for its "WebZinger" Internet search tech-

Uncertainty Hovers Over The Dollar

Compiled by Our Staff From Dispatches

NEW YORK — The dollar was mixed against other major currencies on Friday amid investors' fears that the Brazil financial crisis could spread to other emerging markets, forcing Argentina, China and Hong Kong to devalue their currencies.

The worries spread after comments by Burton Biggs, an analyst at Morgan Stanley Asset Management who said Thursday in Tokyo that China may be forced to devalue the yuan, and that speculators might attack the Hong Kong dollar again.

Dealers said the Biggs comments reinforced market sentiment that if

FOREIGN EXCHANGE

the devaluation of the Brazilian real gets out of control, other emerging market currencies are at risk.

China and Brazil are seen to have broadly similar economic problems, with large populations, rising costs and sluggish exports.

The dollar was quoted at 4 P.M. at 114.425 yen, up from 113.70 yen Thursday, but it declined to 1.3820 Swiss francs from 1.3845 francs.

The euro declined to \$1.1595 from \$1.1602, but the pound rose to \$1.6563 from \$1.6515.

Chinese unemployment is swelling, living costs are on the rise, and exports are stagnant — all reasons the country could benefit from a weaker currency.

Some economists, though, said a devaluation would do more harm than good, crimping foreign investment into China and cutting the country's purchasing power.

For Japan, a weaker yuan would make its goods relatively more expensive on world markets and could, thereby, drive the world's second-largest economy deeper into recession.

"What Japan doesn't need is stronger competition in the export markets," said Denis Gould, at Asia Sun Life Investment Management in London. "I would be surprised if China doesn't devalue this year."

Japan, meantime, insists its economy is looking up. The vice finance minister for international affairs, Eisaku Sakakura, said Friday the country's financial crisis was nearing an end.

"Japanese banks are restructuring aggressively, and I think the Japanese financial crisis is about to end," he said. "The Japanese economy will rebound in the middle of 1999." (Bridge News, Bloomberg)

Teenage Buyers Sour on Pro Sports Apparel

By Stephanie Stoughton
Washington Post Service

Alexandria, said most of his customers were 25 and older. The younger generation prefers to buy brand-name clothing, particularly Hilfiger designs, at other stores in the mall, he said.

"A lot of 16- and 17-year-olds are working, and they can buy Tommy and Polo clothing and Eddie Bauer jackets," he said.

The fading popularity of team apparel is a telling example of how the echo boom is starting to flex its economic muscle. The 27 million teenagers in America spent about \$141 billion in 1998.

This is something marketers have

discovered the hard way. After a long boom in sales, the NFL in 1996 began to see Tommy Hilfiger swipe some of its market share. The league is trying to entice youths back with new designs and color mixes.

Estimated sales of licensed baseball team apparel and other products dropped almost 40 percent to \$1.4 billion last year, according to License magazine, although the NBA lockout that started last summer was partly to blame.

Marketers and the leagues are particularly worried about their lost sales because research indicates that teenage trends tend to solidify rather

than shift as the teenagers head into their twenties. Teenagers also influence clothing trends for their parents and younger siblings.

Retailers complain that it is hard to figure out what teenagers want.

Peter Connolly, executive vice president of worldwide marketing at Tommy Hilfiger, said the company combed the streets to see what teenagers were wearing. What they really dislike, he said, is someone older telling them what to wear.

"There's nothing worse," Mr. Connolly said. "It's a bunch of 35- to 40-year-olds trying to figure out what teenagers want."

DirecTV Offers \$1.8 Billion for Primestar

The Associated Press

NEW YORK — DirecTV Inc., the biggest U.S. satellite television service, said Friday that it was buying its No. 2 rival, Primestar Inc., for \$1.82 billion, in a deal that leaves only two major players to compete with cable in the satellite-dish industry.

The deal, announced Friday, along with DirecTV's pending purchase of a movie-channel service, will give DirecTV about 7 million U.S. subscribers and more than 370 channels. Its closest competitor, EchoStar Communications Corp., has about 2 million subscribers.

Primestar, controlled by five major cable companies, was initially

created to reach mostly rural customers who were unable to get cable. But the company has been struggling since a deal to buy Rupert Murdoch's U.S. satellite business was scrapped last year.

Primestar, based in Englewood, Colorado, has about 2.3 million subscribers to its 150-channel service. Primestar is owned by Tele-Communication Inc., Time Warner Inc., MediaOne Group, Comcast Corp. and Cox Enterprises Inc.

DirecTV has 4.5 million subscribers and is owned by Hughes Electronics Corp., an El Segundo, California-based unit of General Motors Corp.

DirecTV will acquire Primestar's medium-power satellite service and its ownership of high-power satellite licenses that allow for more channels than medium-power service. DirecTV and EchoStar own the only other satellite licenses for high-power direct broadcasting.

The deal is subject to approval by GM's board, Primestar's lenders and government regulators.

In December, DirecTV announced a \$1.3 billion takeover of United States Satellite Broadcasting in a move to expand its dominance in satellite broadcasting, with plans to provide a range of TV and Internet-access services.

U.S. Airlines Said to Be In Talks Over Aeroperu

Reuters

LIMA — Peru's Aeroperu is negotiating with AMR Corp.'s American Airlines and Continental Airlines Inc. to sell a majority stake in the country's heavily indebted flagship carrier, sources close to the talks said Friday.

U.S.-based Delta Air Lines Inc. and Mexico's Aeromexico Mexicana de Aviacion, which each hold 35 percent of Aeroperu, want to reduce their stakes to make way for a partner that could help finance a debt-rescheduling plan of \$15 million to \$20 million, Aeroperu said.

Aeroperu officials are set to meet next week in the United States with representatives from American and Continental, the second- and fifth-largest U.S. carriers, respectively, one source said.

Faced with Aeroperu's financial problems, Delta and Aeromexico approached American and Continental for talks aimed at selling at least a majority stake in the airline, and perhaps the whole of their 35 percent holdings, the sources said. "For the moment, American is more interested," one source said.

Continental has set a condition on the sale that would force Delta and Aeromexico to scrap an operating venture in Mexico to help reduce competition there, the sources, who were informed of the negotiations by the Peruvian airline, said.

"It is very difficult to see Aeroperu's partners agreeing to break their Mexican pact," one source said.

Delta bought its 35 percent stake last year with a \$50 million investment. Aeromexico bought a stake in the company in a 1993 privatization, and its holdings now encompass 35 percent of the shares.

Asked to comment on the statements by the Peruvian sources, Karla Villalon, a spokeswoman for Continental, said in a telephone call from the airline's headquarters in Houston: "We have nothing to announce."

INTEREST RATES

Friday, Jan. 22

Government Debt

3-month U.S. dollar per metric ton — lbs of 100 lbs
U.S. 5.60 — 2.84
France 2.94 — 2.93
Germany 2.20 — 2.26
Italy 2.60 — 2.52
Japan 0.273 — 0.28
U.S. 2.05 — 2.15
3-month Eurodollar (U.S.)
U.S. 1.16/1.36 (100 lbs)
Prev. sales: 202,722
Prev. open int: 1,000,414 off 24,038

3-MONTH EURODOLLAR (U.S.)
U.S. 1.16/1.36 (100 lbs)
Prev. sales: 202,722
Prev. open int: 101,325 off 24,038

ITALIAN GOVERNMENT BOND (LIRE)
U.S. 9.94 — 8.21 (2,000)
Prev. sales: 42,712
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Prev. sales: 42,712
Prev. open int: 2,000 off 4,257

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uncertainty
lowers the
Dollar

EUROPE

High Profits at Porsche and Opel

Export Sales Led the Way, Germany-Based Carmakers Say

Compiled by Our Staff From Dispatches

FRANKFURT — Porsche AG and Adam Opel AG said Friday that their earnings rose last year, mostly because of strong export sales.

Opel, a unit of General Motors Corp., said it expected to post net profit of more than 400 million Deutsche marks (204.5 million euros; \$237.3 million) for 1998, after a loss of 228 million DM in 1997. Sales rose to a record 30.2 billion DM from 30.0 billion DM.

Porsche expects its full-year profit to top the record 324 million DM it earned in 1997, and said sales would exceed 5.5 billion DM, compared with 4.9 billion DM.

Opel said total sales of its new Astra model reached 219,000 in 1998, although the company's German market share slipped to 14.2 percent from 16.8 percent in 1997.

Porsche sells about 75 percent of its cars abroad, and North America is its biggest market. Because its results are preliminary, Porsche did not break out its U.S. unit sales figures, but a spokesman said U.S. sales were "very strong."

The company's sports cars have thrived in the United States, largely because of the strength of the U.S. economy and the popularity of the new Boxster and the redesigned 911.

"The U.S. is very important for Porsche," said Lothar Lubinetski, an analyst at Easicida Securities in London, who said Porsche's sales could cool slightly in the second half as the European car market slows.

Porsche said it planned to introduce a sport-utility vehicle to compete with DaimlerChrysler AG's Jeep Grand Cherokee and Toyota Motor Co.'s Land Cruiser. Sales of

the vehicle are to begin in 2002.

The new vehicle will be developed with Volkswagen AG, and both companies will offer such a car using the same platform, although with different equipment and appearance. No decision has been made as to where the car will be produced, and Porsche hopes to sell 20,000 annually.

Opel's profit rebound comes on the heels of a change in its management. In late October, GM announced that Robert Hendry, chief executive at Saab Automotive AB, would take over at Opel, replacing Gary Cowger, who returned to the United States to head labor relations.

Mr. Cowger had been at Opel's helm for only a few months, replacing David Herman, who left last summer after six years as chief. (Bloomberg, AFP, Reuters)



Wendelin Wiedeking, Porsche's CEO, at a shareholders' meeting.

A Big Jump For Matif? Maybe Not

Bridge News

PARIS — Executives at Matif, the French futures exchange, acknowledged Friday that published figures supporting its efforts to remain a player in a key area of the market for European financial derivatives were not quite what they seemed.

According to an advertisement in the Financial Times on Friday, open interest — the total number of contracts outstanding — for the exchange's short-term interest-rate futures totaled 400,000 contracts.

However, Matif had said Tuesday in a press release that open interest totaled 224,000 contracts, implying a sharp increase in a short time.

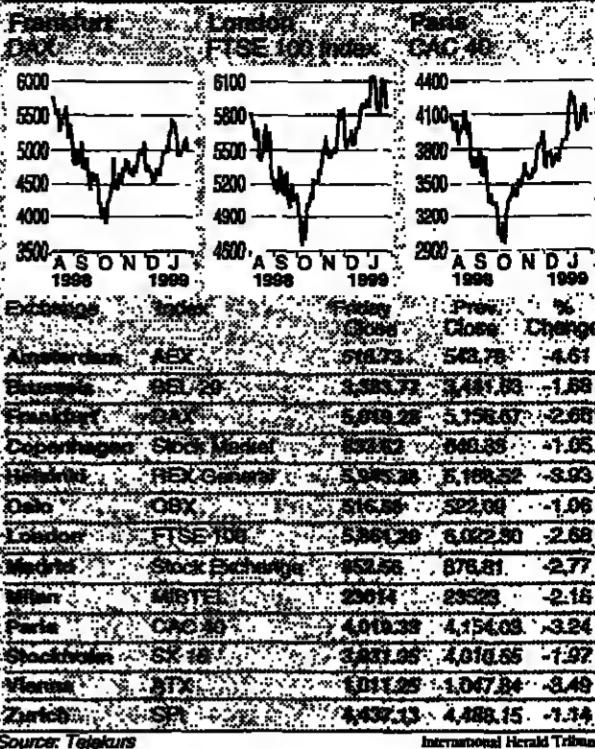
Matif officials said Friday that the new figure for open interest included open interest in the futures contract on the Paris interbank offered rate, or Pibor, which has not traded since Dec. 30.

The contract became redundant with the Jan. 1 introduction of the euro, when Pibor technically became the same thing as Euribor, the European interbank offered rate. On Tuesday, Matif did not include the Euribor equivalent of the Pibor contracts in its volumes.

The exchange's interest-rate future is now indexed to Euribor, and is competing with similar contracts listed on Eurex — the German-Swiss derivatives exchange — and the London International Financial Futures and Options Exchange. The desire to show strong levels of open interest is emblematic of the battle among the three exchanges to establish a dominant position in the market for Euribor rate futures.

The fight is of particular importance to Liffe. The London exchange rapidly lost business in its former flagship contract, futures on long-term German government bonds, to Euribor in 1997 and 1998. Matif executives denied that they used creative accounting in the advertisement of the exchange's open interest figures, pointing out that the Pibor and Euribor contracts were effectively identical. Indeed, Pibor positions can be switched into Euribor contracts free of charge until June 14. But many users who opened Pibor positions to hedge against market movements may simply leave them open until they expire.

Investor's Europe



Source: Thomson

Very briefly:

• Royal & Sun Alliance PLC is considering a cash-and-share bid for rival Guardian Royal Exchange, which put itself up for sale last year and asked Morgan Stanley & Co. to help in the auction process after it received informal bids.

• Siemens AG's net income climbed 12 percent in the first quarter that ended Dec. 31 to 639 million Deutsche marks (\$37.8 million), as sales rose 16 percent to 28.8 billion DM.

• Cellular Communications International Inc. directors recommended accepting a revised \$1.8 billion bid from Olivetti SpA and Mannesmann AG. CCI, whose sole asset is 10.3 percent of Omnitel Pronto Italia SpA, rejected Olivetti and Mannesmann's previous \$1.5 billion bid last week.

• Nokia Oy of Finland won an order to supply transmission equipment and services to Tele2 Europe of Luxembourg to build the backbone of a 12-country European telecommunications network that includes telephony, fax, data transmission and access to the Internet.

• France Telecom SA plans to spend \$2 billion over 10 years on Dutchtel, its joint venture with Rabobank Nederland NV and ABN-Amro Holding NV.

AFP, Bloomberg, Bridge News, Reuters

An Easier Road to Euro for U.K.?

The Associated Press

FRANKFURT — The European Central Bank chief Friday suggested easing conditions for Britain to join the single European currency.

Until now, candidates had to show stability in exchange

rates with European currencies for at least two years.

Wim Duisenberg, president of the European Central Bank, suggested a two-year

period be dropped in favor of "a protracted period of stability" in exchange rates.

Peugeot Proposes Plan on Short Workweek

Compiled by Our Staff From Dispatches

PARIS — PSA Peugeot Citroen SA offered on Friday a plan to its employees to shorten the average workweek to 35 hours without cutting wages.

The plan, coming after four months of negotiations with unions, also would cut staff through a major early retirement program and make room for younger workers. It envisages 12,500 early retirements over five years, with a third of the departing staff to be replaced by younger workers.

Trade unions have been given 10 days to respond to the plan. Their initial reactions were mixed. Joel Moreau, a representative of the General Labor Confederation, or CGT, told France Info radio that the union would not sign, saying the 3-to-1 ratio of

retirements to new hires was unacceptable.

But Michel Prost of the Confederation of Independent Unions, or CSI, said there were positive elements in the plan.

An accord would represent a success for the Socialist-led government, which is pressing private-sector companies to negotiate agreements for a 35-hour average workweek in a bid to bring down France's 11.5 percent unemployment rate.

In London, meanwhile, Peugeot said it would hire additional workers at its plant in Coventry, England, as it adds shifts and increases output to keep up with strong demand for its 206 small car model.

Peugeot shares closed Friday in Paris at 138 euros (\$160.11), down 2.40 euros. (Reuters, Bloomberg)

I think that's a bit unlikely, and certainly a major recession is even more unlikely," he said.

A recession is defined as two consecutive quarters of negative growth. A contraction in the fourth quarter of last year would have provided the base for what is widely expected to be negative growth in the first quarter of this year.

"It shows those making predictions to the contrary were wrong," a spokesman for Prime Minister Tony Blair said.

But analysts warned the data could be revised downward when revised figures are released in February.

"There does appear to be a certain amount of downward momentum, which may show up in the next couple of quarters," said Jonathan Loynes, economist at HSBC.

Analysts also agreed that the Bank of England was likely to maintain its aggressive rate-cutting stance. The central bank has cut its base rate 1.5 percentage points since October. It now stands at 6 percent.

"We still think they will squeeze in a February rate cut, and possibly pause for a couple of months to assess the impact of the easing," Mr. Loynes said.

(Bridge News, Reuters)

U.K. Economy Barely Escapes Falling Into Recession

Compiled by Our Staff From Dispatches

LONDON — The economy narrowly avoided falling into recession in the fourth quarter, figures released Friday showed, as the service sector expanded enough to offset weakness in the manufacturing sector.

Preliminary estimates showed that Britain's gross domestic product rose 0.2 percent in the quarter and 1.6 percent for the year, the Office for National Statistics said. But the quarterly rise was the lowest since the second quarter of 1992, when Britain was mired in its last recession, and the annual growth rate was the weakest since

the first quarter of 1993.

The service sector, which accounts for two-thirds of the economy, grew 0.6 percent on the quarter, slowing from the 0.8 percent gain seen in the third quarter. The yearly rise was 2.9 percent.

"These figures confirm the feeling I had late last year," said Martin Weale, director of the National Institute of Economic and Social Research. He said some people — and possibly trading houses that were trying to recover positions — preached a disaster that did not seem to be substantiated by fundamentals. "There may still be a technical recession, but

it is unlikely, and certainly a major recession is even more unlikely," he said.

A recession is defined as two consecutive quarters of negative growth. A contraction in the fourth quarter of last year would have provided the base for what is widely expected to be negative growth in the first quarter of this year.

"It shows those making predictions to the contrary were wrong," a spokesman for Prime Minister Tony Blair said.

But analysts warned the data could be revised downward when revised figures are released in February.

WORLD STOCK MARKETS

Friday, Jan. 22

Prices in local currencies.

In euros for U.K. companies.

Telekurs

High Low Close Prev.

Amsterdam AEX Index 518.79

Previous: 518.79

www.telekurs.com

Frankfurt DAX 30 14,354.14

Previous: 14,354.14

www.borse.com

High 14,354.14

Low 14,349.00

Close 14,354.14

Prev. 14,354.14

Paris CAC 40 3,745.67

Previous: 3,745.67

www.cac40.com

London FTSE 100 3,745.67

Previous: 3,745.67

www.ftse.com

High 3,745.67

Low 3,745.67

Close 3,745.67

Prev. 3,745.67

Paris CAC 40 3,745.67

Previous: 3,745.67

www.cac40.com

Paris CAC 40 3,745.67

Previous: 3,745.67

www.cac40.com

Paris CAC 40 3,745.67

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Paris CAC 40 3,745.67

Previous: 3,745.67

www.cac40.com

Paris CAC 40 3,745.67

Previous: 3,745.67

Paris CAC 40 3,745.67

Previous

Friday's 4 P.M. Close
The 2,300 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press.

Friday's 47 Most Active
The 2,300 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere
The Associated Press

AP Wirephoto

NYSE

Div Yld PE 100% High Low Latest Chg

Continued on Page 14

كتاب من الأدلة

Malaysia to Set Proposals for Easing of Capital Controls

Compiled by Our Staff From Dispatches

KUALA LUMPUR — Plans to ease controversial controls on capital flows are likely to be presented to about 40 fund managers and bond investors when they meet beginning Monday in Kuala Lumpur with Prime Minister Mahathir bin Mohamad and other government and business leaders.

Mr. Mahathir, officials confirmed Friday, is willing to ease the controls and let foreign fund managers take out a portion of an estimated \$10 billion locked in the country's stock and bond markets.

Finance Minister Daim Zainuddin said in an interview last month with the International Herald Tribune that he was weighing two possible alternative policies to replace "as soon as possible" the one-year ban on the repatriation of funds by foreign portfolio investors.

Mr. Mahathir will call on fund

managers to bring in fresh capital and buy the country's bonds. Kuala Lumpur is seeking ways of attracting foreign investors back after it frightened them off by imposing capital controls in September. In addition to pegging the currency at 3.80 ringgit to the dollar, the rules also prohibit foreigners from repatriating equity investments for one year following the purchase date.

Analysts estimate that Malaysia needs to raise as much as 60 billion ringgit (\$15.8 billion) through the year 2000 to recapitalize its banks and bolster spending enough to emerge from the country's worst recession in a decade.

Ian Lui, a fund manager with Indocom Singapore Ltd., said, "After some initial capital outflow by funds that need to fulfill their redemption obligations, I think the net-net effect will be more funds flowing in."

The meeting of foreign fund man-

agers is being arranged by Salomon Brothers, which is serving as Malaysia's financial adviser. The attending investors include Jardine Fleming Holdings Ltd., J.P. Morgan & Co., and Prudential Investments. Salomon is advising the Malaysian government on ways to improve its economic performance.

One option that serves Malaysia's aim of keeping out short-term hedge funds is the Taiwan model of rating scale of "most favored investors," where long-term qualified financial institutions are favored over short-term hedge funds through a graduated scale of incentives and exit taxes, one government official said.

The exit tax could run as high as 30 percent for funds that keep their capital in the country for less than three months, the official said.

"If Malaysia is able to prove to the world that you can differentiate the types of capital flow you pick for

economic development, other countries might look at it and follow suit," said Fong Cheng Hong, an analyst with Nomura Securities Pte. in Singapore.

Malaysia is already letting some foreign investors slip through its exchange controls net.

Jardine Fleming Unit Trust Ltd. raised \$7.6 million from selling 45 percent of JF Malaysia Trust's total assets as of Jan. 14, the fund management firm said in a Jan. 15 letter to owners of that fund.

Other fund managers said Jardine probably did a swap with Blue Circle Industries PLC, a British company producer that is making a direct investment in Malaysia. On Dec. 23, the Malaysian central bank approved a 600 million ringgit currency swap plan proposed by Blue

Circle, allowing fund managers to get their money out of the country by swapping their ringgit for the dollars to owners of that fund.

Blue Circle is investing. Direct investment is exempt from the country's capital controls.

(Bloomberg, AP)

■ **Central Bank Praises Euro**

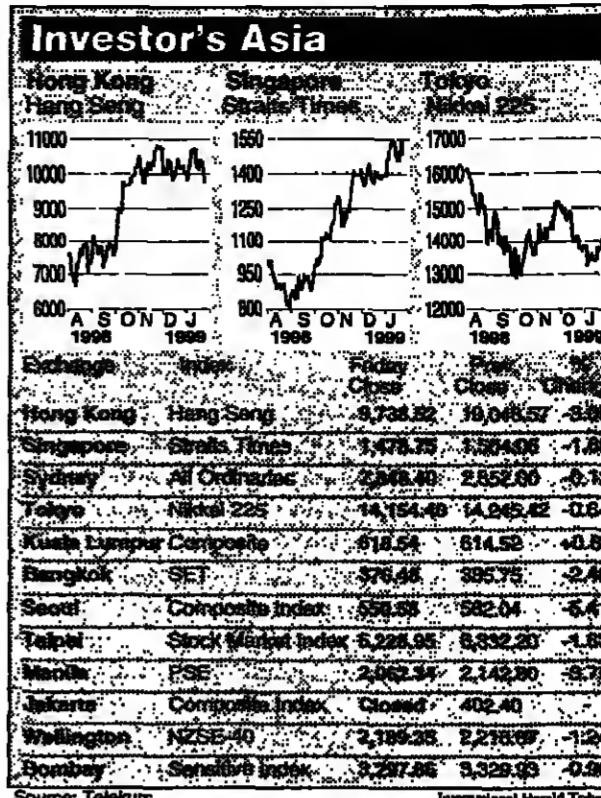
The Malaysian central bank on

Friday welcomed the introduction of the euro, saying the new currency had been made part of the nation's reserves and would provide relief to importers and exporters, Reuters reported.

Bank Negara welcomed the introduction of the euro, a representative of the central bank said.

Mr. Daim, the finance minister, said this month that the euro would enable Malaysia to reduce its reliance on the dollar in foreign trade.

Bank Negara declined to say whether the emergence of the euro would permit Malaysia to scrap its peg against the dollar earlier than otherwise.



'Mr. Yen' Is Optimist on End of Crisis

Compiled by Our Staff From Dispatches

TOKYO — Japan's top financial diplomat predicted Friday that problems of the country's banking sector could be cleared away soon and reiterated that the economy will pick up in the middle of this year.

"I think all the weak links in Japan's financial system will be cleared by the end of fiscal 1998," which ends on March 31, Eisuke Sakakibara, vice finance minister for international affairs, told the Foreign Correspondents' Club of Japan. "The Japanese economy will rebound in the middle of 1999."

He said Japanese bank restructuring would proceed very aggressively in the coming months because of an independent and tough regulator — the newly created Financial Supervisory Agency — which has so far put two of the nation's 19 major banks under state control.

The senior official, known as "Mr. Yen" for his influence on the currency markets, also said Japan had no plans to change the composition of its foreign reserves following the Jan. 1 launch of the euro.

"As far as Japan is concerned, we do not have any intention of shifting our portfolio in foreign reserves," Mr. Sakakibara said. The make-up of Japan's huge foreign reserves remains secret, but the bulk, probably 70 to 80 percent, is in dollars.

Mr. Sakakibara also said that the Japanese government viewed both an excessively weak yen and an excessively strong yen as undesirable. He also made a plea for a new



Eisuke Sakakibara speaking Friday in Tokyo. He said the country's economy would "rebound in the middle of 1999."

architecture of the financial system.

A new foreign-exchange system has to be "thoroughly discussed in the months leading up to the Cologne summit" of the Group of Seven industrialized countries plus Russia.

But he was reluctant to specify a solution for stabilizing rates between the dollar, the euro and the yen.

"I am not suggesting that Japan would support target or reference zones" among the three currencies, he said. "We are ready to discuss with Oskar Lafontaine but we are not supporting his ideas at this stage," he said, referring to the German finance minister.

Although Germany favors the idea of target zones, the United States is opposed to any such system. Mr. Sakakibara ruled out any possibility of Tokyo using its large holding of U.S. Treasury bonds as

"leverage" against Washington, as some Japanese politicians have suggested in the past.

When asked about uncertainty in the global market in the near future, Mr. Sakakibara said, "I tend to agree with Mr. Greenspan that there is a possibility the U.S. equity market is overvalued."

On Wednesday, the Federal Reserve Board chairman, Alan Greenspan, speaking on the U.S. economy to the House Ways and Means Committee, warned that stock market prices had risen further than profit growth would seem to justify.

Mr. Greenspan also said the recent weakening in corporate profits raised the possibility that the strength in the stock markets "will have difficulty in being sustained."

(Reuters, AFP, Bridge News)

Continuing Deflation Fuels Pessimism in Hong Kong

Compiled by Our Staff From Dispatches

HONG KONG — Hong Kong recorded a second consecutive month of deflation in December, the government said Friday in a statement that heightened fears that the territory will slide deeper into recession.

The composite consumer price index fell by 1.6 percent in December from a year ago, the Census and Statistics Department said.

The index had shed 0.7 percent in November, the first time Hong Kong experienced deflation in the 23 years that statistics have been kept.

"This continues the trend we've seen for the whole year, going from deflation to deflation," said Ian Perkin, an economist at the Hong Kong Chamber of Commerce.

For the full year, consumer prices increased 2.8 percent, the lowest level of inflation since 1985, when the composite consumer price index rose 3.5 percent.

Lower-priced imports from other recession-struck Asian nations, as well as government rebates in the second half of the year, kept prices down, the government said.

The cost of clothing, footwear, housing and durable goods posted the sharpest falls in December, it said.

While deflation can be a sign of a weak economy, some analysts said falling prices could eat back business costs and help Hong Kong regain competitiveness, at least for the short term.

Falling prices cut "your cost of goods and your cost of doing business," said John Seel, an economist

with Morgan Stanley Asia Ltd. But other analysts saw it as a sign of weak consumer demand and said that rising unemployment was likely to keep demand falling.

"Consumers may delay consumption, and that means we're not going to see a strong recovery," said Benjamin Tse, an economist at ING Barings Securities Ltd. "All of this should be expected, but in the short term it will add to pessimism about the economy."

Unemployment rose to a record 5.6 percent in the three months to December, from 5.5 percent in November.

Economists say the jobless rate could balloon to as high as 9 percent by the end of this year or early next year.

Hong Kong's economy shrank 7 percent in the quarter from July to September and government officials estimate the economy contracted 5 percent over the past year. (AP, Bloomberg)

Very briefly:

- Philippine Airlines said it would be able to pay a part of its \$2.1 billion debt before the Jan. 30 deadline set by creditors waiting to lay claim to its fleet. The airline this week revamped its management, with Luis Virata, an investment banker, replacing Lucio Tan as chief executive officer.
- Monday's Investors Service Inc., the U.S. rating company, cut its credit ratings for two major Japanese banks, Dai-Ichi Kangyo Bank Ltd. and Industrial Bank of Japan Ltd., warning that their assets were weakening badly.
- American Express Co. will begin selling mutual funds to its Japanese cardholders through its Tokyo subsidiary, American Express Financial Advisors Japan, joining the race among foreign financial companies for a share of the 12 trillion yen (\$105 billion) in Japanese personal savings.
- Apple Japan Inc. said it would begin selling new versions of Apple iMac personal computers Sunday at retail prices of 158,000 yen (\$1,390). The iMac has become the best-selling computer in the United States since its launch in August.
- Taiwan Semiconductor Manufacturing Co., Taiwan's largest chipmaker, will begin operating a sixth plant in January 2000, said Morris Chang, the company's chairman. He predicted growth in the global semiconductor market of 10 percent to 20 percent this year as the industry recovers from a three-year slump.
- Japanese banks held 73.1 trillion yen in problem loans as of September, the Financial Supervisory Agency said.

(AFP, Reuters)

Sega Seeks Lift Through Big Bond Sale

Bloomberg News

TOKYO — Sega Enterprises Ltd. plans its largest-ever convertible bond sale next month to finance development of software for its DreamCast game system in a bid to capture a larger share of a global market dominated by Sony Corp. and Nintendo Co.

Sega said Thursday that it would sell 30 billion yen (\$263.85 million) in seven-year convertible bonds domestically and 50 billion yen in four-year convertible bonds outside Japan. That would be the largest such sale by a Japanese company since December 1996, when

Sega's success in taking a greater share of the \$15 billion global market for video games depends on whether it can present a strong lineup of software for the DreamCast, which features graphics technology superior to Sony's PlayStation or Nintendo's Nintendo64, but currently offers few games.

BANKRUPTCY: A New Tone

Continued from Page 9

province wasn't supposed to guarantee its loans, but it did. And the Western banks were colluding with these guys."

The bankers, however, insist they made loans to GTIC in good faith — not as part of a collusive deal with provincial leaders. Many regard Beijing's action as less a courageous stand than a craven betrayal.

"China's credibility could be badly damaged by how this was handled," said Brian Lipsey, managing director of Tokai Bank Ltd., a Japanese bank with modest exposure to GTIC. "I'm not saying the government should bail out every company, but the process has to be in accordance with international norms."

The bankers say they believe they had guarantees from provincial officials that either Guangzhou or Beijing would stand behind their loans if GTIC went sour. Sometimes these guarantees came in the form of handshakes; other times they were set out in "letters of comfort."

In the aftermath of GTIC's collapse, banks have begun calling in loans to other troubled Chinese companies. As they do, more Chinese companies are defaulting. Dalian International Trust & Investment Corp., the fund-raising arm of the northern city of Dalian, recently acknowledged that it had missed payments on foreign loans. Other investment-trust companies affiliated with Guangdong, Fujian, and Hubei provinces have also missed payments.

For now, the Chinese debt crisis is mainly limited to investment trusts. These financial institutions, known as ITICs by investors, sprouted like weeds after Deng Xiaoping opened the economy in 1978. Their purpose was to raise money from outside China for the provinces. But with their loose management and shaky finances, they became the Chinese equivalent of the U.S. savings and loan debacle.

Last week Beijing said it planned to prune the number of investment trusts to 40 from 240. That will mean shunting or merging scores of ITICs, most of which owe money to foreign banks. Basisfield, a research firm that tracks corporate debt issues, estimates that the investment trusts have \$5.1 billion in total debt — \$1.5 billion in direct loans from foreign banks.

But many experts fear the debt crisis is spreading beyond investment trusts. Guangdong Enterprises Holdings, another prominent Chinese company, has suspended payments on its debts to foreign investors.

Goldman, Sachs & Co. and Morgan Stanley are among the foreign investors that have stopped getting paid.

Before the Asian crisis, red chips were the rocket fuel that propelled the Hong Kong stock market. Now they are in dispute. In a report last November, before it was hired to fix the dispute, Goldman estimated that the red chips



A bust of Pope John Paul II on sale at a store in Mexico City. The Pope arrived in Mexico on Friday for the start of a four-day visit.

POPE: Corporate Sponsorship as for 'a Soccer World Cup' Outrages Mexicans

Continued from Page 1

said Sabritas, which have prompted gibes and ridicule and vulgar, as if the Pope were a soccer player or a prominent showbiz figure," said Bernardo Barancho, president of Mexico's Center for Religious Studies. Of the companies involved, he said, "When it comes to capitalizing on the Pope's visit, they're just going after profits."

"It's a grotesque campaign," he said.

Tod MacKenzie, a spokesman for Frito Lay in Dallas, said Sabritas was approached by the church to help sponsor the trip, and that they collaborated on a program to reach millions in all corners of Mexico with images of the Virgin and the Pope. "Proceeds from the sale of the 2 peso frame will be donated to the construction of a shelter for pilgrims next to the Basilica of Guadalupe in Mexico City, he said.

Reforma, which for two weeks has been running a front-page countdown to John Paul's arrival, is hardly in a position to poke fun at anyone for commercializing the visit. This week, the newspaper has been running half-page ads encouraging readers to buy special classified and display advertisements to "Send

your message to the Pope," enhanced, perhaps, with a picture, your name or a drawing of hands in prayer, the ad suggests.

Huge billboards by PepsiCo and Bimbo, a Mexican bread company, tout the papal visit along Mexico City's highways. The Bimbo ads have a picture of the Pope and the Virgin of Guadalupe, and proclaim that at the birth of a new millennium, "We Reaffirm the Faith." Pepsi placards and billboards cite the words of John Paul on a previous visit: "Mexico, Always Faithful." The signs add: "Pepsi — Official Sponsor of the Fourth Visit of His Holiness John Paul II to Mexico."

A spokesman for PepsiCo in New York said the ads "spread a positive message in a tasteful way."

"Our folks in Mexico don't perceive there's any controversy," he said.

Radio Red, a nationwide radio network, has bought full-page ads promoting its coverage and showing a smiling figure that looks like Jesus with his arm around the Pope's shoulder. The Mexican bank Bancomer SA, another official sponsor, is airing television spots advertising commemorative coins to mark the visit, with the bank's logo in the background.

TV Azteca, one of Mexico's main television networks, is promoting its coverage of the trip with a slickly produced dramatization of a miracle by John Paul.

On Tuesday, La Jornada newspaper ran a cartoon of a dismayed Pope asking himself, "With so many commercial messages, will I have time to give my divine message?"

NASDAQ

Friday's 4 P.M.

The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

NYSE

Friday's 4 P.M. Close

(Continued)

12 Month

12 Meg

Charge | 12 Hours

about China

www.Lintest.Ch

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Please Don

Emerging M

SPORTS

R SATURDAY-SUNDAY, JANUARY 23-24, 1999

PAGE 18

WORLD ROUNDUP

Chiefs Find a Coach

FOOTBALL Gunther Cunningham, the defensive coordinator behind the Kansas City Chiefs' usually tough defense, was promoted to head coach of the team Friday. Cunningham replaces Marty Schottenheimer, who won 101 games in 10 years with the Chiefs but resigned unexpectedly on Jan. 11 following a troubled 7-9 campaign, his first losing season in 15 years as a head coach.

"Gunther has an unbelievable work ethic," the Chiefs' president and general manager, Carl Peterson, said. "Gunther is a player's coach, they listen to him and they respect him."

• Dave McGinnis' introduction as the new coach of the Chicago Bears is on hold.

The Bears announced Friday morning that they had hired the Arizona Cardinals' defensive coordinator, and scheduled an afternoon news conference to officially introduce him. But an hour after it was supposed to start, the Bears' vice president of operations, Ted Phillips, said there had been a delay.

"There are a number of issues that still have to be resolved, and we don't really have a timetable right now for when it will be resolved," he said.

(AP)

Struver Leads Event

GOLF Sven Struver of Germany shot his second straight 4-under-67 and took a 3-stroke lead after two rounds of the South African Open on Friday.

Struver's 36-hole total of 134 put him ahead of John Bickerton of England, who shot a 66 to move into contention.

Five players were another shot back: Scott Dunlap of the United States (65); David Frost (69) and Clinton Whitelaw (68) of South Africa; Paul McGinley of Ireland (69), and Mark Roe of England (67). Struver, 31, won the South African PGA title three years ago, the Dutch Open in 1997 and the Swiss Open last year.

Sprewell Is Officially Back

BASKETBALL Latrell Sprewell was reinstated by the NBA Friday after meeting with Commissioner David Stern.

The newest member of the New York Knicks, who drew the longest non-drug suspension in league history for his attack on the Golden State Warriors' coach, P.J. Carlesimo, is free to begin practicing with New York. The players' union director, Billy Hunter, the league's deputy commissioner, Russ Granik, and two other officials attended the meeting.

"Latrell has given us assurances that he will be able to control his anger both on and off the court in the future," Stern said. "Billy and I were both satisfied that he seems sincere in that commitment."

At their first practice Thursday night, Sprewell's new teammates said they were ready to forgive and forget his troubled past.

(AP)

Enqvist Reminds Rafter of His Limits

Novotna and Martinez Join Fallen Seeds

By Christopher Clarey
International Herald Tribune

MELBOURNE — It is too late for Patrick Rafter to whisper in Paul McNamee's ear about changing the Australian Open this year. Too late to suggest to the tournament director nicely — this is Rafter, after all — that the hard-court surface be made quicker and the balls lighter so that Rafter's serve-and-volley style can play as well at home as it does in New York.

Rafter is the two-time defending U.S. Open champion, but in eight appearances at the tournament that matters most to him, he has never advanced past the fourth round. His legs are still powerful, his reflexes still quick

AUSTRALIAN OPEN

and his hair still a little too long and unkempt for the taste of some older Australians, yet his game is not quite the same at Melbourne Park.

On Friday, it was Thomas Enqvist's turn to remind the third-seeded Rafter and the nation that admires him of his limitations. Along the way, the straight-talking, flat-hitting Swede reminded the tennis world that he was playing as well as anyone this January.

"I think the conditions suited him really well, and I think he played too big and strong for me," said Rafter, whose 6-4, 4-6, 6-4, 6-4 loss means that Pete Sampras, who chose to skip this tournament to rest, will remain No. 1 when this Grand Slam event ends.

Nonetheless, it was hardly a reaffirming day for the pecking order. Marc Rosset, a mountain of a man from Switzerland, put an end to Britain's hopes by defeating Tim Henman, seeded sixth, in straight sets, 7-6 (7-5), 6-3, 7-5. In the night session, in a match that was played indoors after the retractable roof over center court was closed to the rain, Wayne Ferreira of South Africa was consistently brilliant in his defeat of No. 9 seed Richard Krajicek, 6-7 (7-5), 6-7 (5-7), 6-4, 6-2, 6-3.

With only half of the third round complete, a mere five of the 16 men's seeds remain and, for the first time in the history of the Australian Open, all four of the top seeds are out.

But to call any of the surprise vic-

tories Friday a major upset would be a stretch. Enqvist, Rosset and Ferreira are all former members of the Top 10 who have dropped back because of injuries.

"There are a lot of Top 10 players out there that aren't in the Top 10," Rafter said. "The men's game is very close. Unfortunately, it's not like women's tennis."

In years past that observation might have rung true, but Friday provided plenty of evidence that although unseeded men rid themselves of inferior complexes long ago, women rapidly are acquiring the same attitudes.

First came Maria Antonia Sanchez

Lorenzo's perplexingly lopsided 6-3, 6-0 upset of Jana Novotna, the No. 3 seed and reigning Wimbledon champion. Then came Chanda Rubin's more circuitous 7-6 (7-3), 4-6, 6-4 victory over Natasha Zvereva, the No. 15 seed. Last came Emilia Loit's 7-5, 6-1 defeat of Conchita Martinez, the No. 9 seed.

"I think the attitudes are changing," said the 20-year-old Loit, who mixed her strokes and shuffled her tactics with aplomb. "I think there is a psychological difference now, and the more examples there are of players in the Top 100 beating players in the Top 10, the more it will keep happening."

Nonetheless, when Loit sat down on the changeover at 5-0 in the second set, she said, she started to tremble. But she stopped trembling long enough to close out the match.

"Today, I went on the court to win," Loit said. "Two years ago, I would have gone on happy to win three games so I didn't look ridiculous."

It has been a disastrous tournament for the Spaniards. Of the 22 men's and women's players who came here, including Alex Corretja and reigning French Open champion Carlos Moya and Arantxa Sanchez Vicario, the only one who has not been eliminated is Sanchez Lorenzo, a baseliner ranked 65th who lost in the first round of every Grand Slam event last year.

"I'm very happy for myself, but I'm also sad for my friends," said Sanchez Lorenzo, who comes from Salamanca and polished her game at the Barcelona academy run by Luis Bruguera, father of former French Open champion Sergi Bruguera.

Novotna, seeded third, had not come to Australia since 1995 but changed her plans late last year, in part because the difference among players at the top of the rankings is very small.

Perhaps the 30-year-old Czech should have maintained her routine. Novotna often struggles in the wind because of her slice backhand and attacking game. But the wind that has coursed through Melbourne Park this week could not have been the only explanation for her absent-minded, error-filled performance.

"I am just still in a state of shock, really not knowing what went wrong, and it was just nightmare," said Novotna, who could not remember when she had last lost a set at love.

Rubin was a semifinalist here in 1996, beating Sanchez Vicario, 16-14, in the third set in the longest women's match in Australian Open history. But a broken bone in her right hand and subsequent surgery on it forced her to miss

the tournament.

The results vanished Luck to the top of the World Cup standings, with 233 points after 12 events.



RICK STEVENS/THE ASSOCIATED PRESS

Thomas Enqvist knocking out the No. 3 seed in Melbourne on Friday.

nearly six months that year, and she has been trying to reach the same heights ever since.

Defeating Zvereva in another lengthy match should help. "It makes you appreciate the game a little bit more," Rubin, ranked 30th, said. "I'm just out here working hard for as long as I can. I feel like I can do as well as I did and better."

While Rubin and Zvereva were still trading groundstrokes, Rosset was firing huge forehands and first serves in the direction of Henman. Rosset is the son of a banker from Geneva, but with his thick beard and shaggy hair, the 6-foot-7-inch Swiss looks like he just returned from a very long walk in the woods.

At last year's U.S. Open, he and his coach, Pierre Simolo, booked seats and then changed their minds the day of

departure, skipping the Swissair flight that crashed into the Atlantic, killing all 229 passengers aboard.

Rosset no longer talks about near-miss, but it might have something to do with his focused tennis in the first three rounds of this year. And his next opponent, Bohdan Uhlirach of the Czech Republic, is well within Rosset's long reach.

Enqvist, a former world junior champion, was long considered the next great Swedish player, yet he has often struggled in Grand Slam events. Injuries to his ankle and foot forced him to miss significant playing time the past two seasons. His next opponent is Australia's other main attraction, Mark Philippoussis, who lost the opening set to Jan Krosak of Slovakia on Friday and then rumbled to victory, 3-6, 6-3, 6-4, 6-1.

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SPORTS

2d Delegate Resigns From IOC

Libyan Quits as Olympic Panel Readies Report on Ethics Scandal

The Associated Press
LAUSANNE, Switzerland — The International Olympic Committee delegate from Libya resigned Friday, the second member to step down rather than face possible expulsion in the Salt Lake City bribery scandal.

The IOC president, Juan Antonio Samaranch, said that Bushin Mohammed Attarabulsi of Libya resigned in person, one day before an IOC panel ends its investigation into the worst ethics scandal in Olympic history. Mr. Samaranch said Mr. Attarabulsi, 61, an IOC member since 1977, quit because of revelations his son received college scholarships at Utah schools from Salt Lake City boosters.

"I accepted his resignation and I thanked him for his 22 years as a member of the IOC, what he did for sport in his country and for us," Mr. Samaranch said. "He's a good man."

Mr. Samaranch said Mr. Attarabulsi made "a mistake."

Mr. Attarabulsi's son, Sulhi, has said he received tuition at Brigham Young University and other Utah schools, plus \$700 a month for expenses.

Pirjo Haeggman of Finland resigned Tuesday. She was implicated because her former husband got jobs through bid committees from Salt Lake and Toronto.

"I think the Salt Lake folks were out to win friends, and they clearly thought friends would be more likely to support them than enemies, and did everything they could to strengthen those friendly ties," the IOC vice president, Dick Pound, told marketing executives in New York. "It is unfortunate that a community that is so well prepared to host an

Olympic Winter Games should have its overall integrity called into question."

The IOC director-general, Francois Carrard, said Mr. Attarabulsi and Mrs. Haeggman resigned in the "higher interest of the Olympic movement."

Mr. Samaranch did not rule out further resignations this weekend, when he

is to receive an internal IOC report on corruption from Mr. Pound. He said 13 members were implicated in the IOC's investigation into cash payments, scholarships, medical treatment, gifts and other inducements related to Salt Lake City's winning bid for the 2002 Winter Games.

Olympic officials have identified other members accused of serious violations, including possible expansion: Agustin Arroyo (Ecuador), Zein el Abdin Ahmed Abdel Gafir (Sudan), Jean-Claude Ganga (Republic of Congo), Laime Keita (Mali), Charles Mukora (Kenya), Sergio Santander (Chile) and David Sibande (Swaziland).

Four members cited for lesser infractions are: Anton Geesink (the Netherlands), Louis Guimond-N'Diaye (Ivory Coast), Kim Un Yong (South Korea) and Vinti Smirnov (Russia).

Also, Mr. Carrard said the IOC has discussed giving back a Swiss tax concession. He said the matter was reviewed because the IOC did not want to embarrass Swiss authorities.

In other developments:

• Britain's sports minister, Tony Banks, said Friday his country will not bid for the Olympics until the IOC "cleans up." Simon Clegg, chief executive of the British Olympic Association, called for Salt Lake to forfeit the 2002 Winter Olympics. His organiza-

tion wants the bid process overhauled.

• The Dutch newspaper *De Telegraaf* reported Friday that Brazil's Joao Havelange, a long-standing IOC member and former president of soccer's governing body, FIFIA, accepted lavish treatment by Dutch officials trying to bring the 1992 Games to Amsterdam.

• The *Telegraaf* said Mr. Havelange, 82, was among those IOC members who were wined, dined and given gifts. The newspaper did not specify the treatment Mr. Havelange received, but quoted a former Amsterdam organizer as saying he "went overboard."

"I remember it very well because he had special wishes — wishes which were in conflict with the IOC laws," said Peter Kronenberg, who headed the press office of the Amsterdam Olympic Games 1992 Foundation.

• The Swedish newspaper *Laenstidningen* reported Friday that Mr. Ganga, the IOC member from the Republic of Congo, asked the Ostersund, Sweden, bid committee for the 1994 Winter Games to build a handball arena in the Congo, and that Mr. Sibande sought money for a plane ticket. *Laenstidningen* quoted a bid committee member, Stig Hedlund.

Later Friday, Mr. Ganga denied accepting bribes and charged his accusers with seeking to unseat Mr. Samaranch. He said he would not resign from the IOC.

• Utah legislators want to tighten oversight of Olympic finances for the 2002 Winter Games. State Representative Jordan Turner's bill to create a panel of 12 senators and representatives was approved Thursday in committee and sent to the full House for consideration.



Bruins' center Tim Taylor reaching for the puck while spinning under an Ottawa defenseman, Wade Redden, in Boston's loss to the Senators.

Trade Frenzy Begins in NBA As Lockout Officially Ends

By Mike Wise
New York Times Service

NEW YORK — Karl Malone and Charles Barkley are staying put, Latrell Sprewell and Scottie Pippen have moved on to New York and Houston, and Dennis Rodman still has no idea where he will end up.

On what may be remembered as the most chaotic day in modern NBA history, a flurry of transactions flooded the league's offices as teams scrambled to fill out their rosters in the lockout-shortened season.

The lockout was officially lifted at 2 P.M. on Thursday, New York time, as many teams opened training camp with half-full rosters and awaited players whom they had acquired in deals that had not yet been approved by the league. The shortened 50-game season begins Feb. 5 and ends May 5.

The Knicks took part in the day's most talked-about trade, acquiring the controversial Sprewell from Golden State for John Starks, Chris Mills and Terry Cummings.

Some of the day's other developments included the following:

• Charles Barkley, speaking from the Bob Hope Chrysler Classic in La Quinta, California, has apparently decided to re-sign with the Houston Rockets and join Scottie Pippen and Hakeem Olajuwon on the league's most star-studded front line.

• Karl Malone met with Utah Jazz owner Larry Miller, and has decided to remain in Utah after saying, last summer, that he would never play for the Jazz again.

• Damon Stoudamire agreed to return with the Portland Trailblazers for \$81 million over seven years, making him the highest-paid point guard in the NBA.

• Jeff Reese was effective in relief of the All-Star goalie Curtis Joseph, who suffered a mild groin strain late in the first period, as Toronto wrapped up a 4-1 road trip.

• Lightning 3, Predators 2 Darcy Tucker tipped in a goal in the third period and Bill Ranford stopped 34 shots as Tampa Bay beat the Predators in Nashville.

The victory was Tampa Bay's second straight, giving the Lightning back-to-back victories for the first time since a three-game winning streak at the end of October.

• Lightning 3, Canadiens 0 Jocelyn Thibault, facing his old team for the first time since a Nov. 16 trade, stopped 33 Montreal shots as the Blackhawks blanked the Canadiens in Chicago.

• Avalanche 4, Flames 2 In Denver, Joe Sakic scored two power-play goals and Rene Corbet had a goal and an assist as Colorado won its fifth straight. Sakic's second goal broke a 2-2 tie at 6:08 of the third period.

• Mighty Ducks 3, Coyotes 3 In Phoenix, Paul Kariya scored an overtime goal and Dominique Roussel had 41 saves as the Mighty Ducks beat the Coyotes.

• Devils 3, Kings 2 Scott Niedermayer scored the decisive goal 42 seconds into the second period as visiting New Jersey beat the Los Angeles Kings.

• Miami Heat shooting guard Voshon Lenard was found to have a stress fracture in his left leg. He is expected to undergo surgery and be out for 8 to 10 weeks.

• After a deal with the Nuggets seemed to be unraveling, Antonio McDyess reached an agreement to return to Denver. McDyess was traded from Denver to Phoenix 15 months ago and both teams were bidding for his services. His new contract with Denver is a six-year deal worth a reported \$65.7 million.

Meanwhile, Rodman's agent, Dwight Manley, said that his client would not sign with any club before the coming week. The 37-year-old rebounder is likely to attract several offers.

Samaranch Should Resign From IOC

New York Times Service

NEW YORK — If the International Olympic Committee were a major business corporation, the directors and the stockholders would not be amused right now. The IOC is essentially in disgrace, visible to the world as lacking normal discipline or, one could even say, ethics.

The IOC, which preaches sportsmanship to the world, has been exposed as allowing, by benign neglect at best, perhaps more than 10 percent of its 114 delegates to reap personal gain by playing bidding cities against each other.

Any organization can deal with the lone wolf who cheats. What has happened at the IOC is much worse: a network of greedy delegates, opportunistic agents and cities on the make.

This is a mess. The corporations that pay the bills of the Olympic movement are understandably nervous. They do not want to commit additional money to the next set of Games until they can be reassured that their corporate logos are not going to be caught up in some decade-long Olympicate.

Imagine a Kenneth Starr-type prosecutor quivering with delight at the hint that Salt Lake City credit cards had been used at "escort services" to entertain visiting delegates.

International corporations know what to do after an embarrassment or a bad quarter or two. The directors summon the chief executive officer into the corporate suites and give him the world's biggest bailout. The process is cold-blooded, but it protects the company from a leader who may have lost touch. The IOC does not have that kind of

oversight because it is in the control of Juan Antonio Samaranch, 78, the caudillo since 1980. His hangover politics in a telling interview in The Wall Street Journal this week indicate that Samaranch is not about to implement reform in the final two years of his term.

To give Samaranch his due, the IOC has expanded from merely a haven of the titled and the privileged to include new leaders such as the American rower and lawyer, Anita DeFrantz, now an IOC vice president. Samaranch has sometimes been an eloquent voice for peace.

The issue is not whether Samaranch may have issued the odd shotgun in Salt Lake City or the samurai sword in Japan.

"As the president of an international organization, he receives protocol gifts," the IOC vice president Richard Pound said Thursday. "But whatever he gets goes back to the IOC, either on display or in storage."

Pound will fly to Lausanne, Switzerland, to present his report on corruption in the IOC on Sunday.

"We'd like to express our sincere apologies for the actions of certain members," Pound said Thursday. "Their conduct has been completely contrary to everything the Olympic movement has worked so hard to represent."

Pound insisted that Salt Lake City had been the obvious choice for the 2002 Winter Games, with or without the graft. There were more than a few locals in Salt Lake City who were quite comfortable

giving tuition, medical care, presents, money and goodness-knows-what to every delegate with an extended hand.

Bidding by cities does not have to be a festival of sleaze. There can be rules, says Dona de Varona, the Olympic swimming gold medalist and journalist who is head of the organizing committee for the 1999 Women's World Cup of soccer. De Varona previously helped screen potential cities for the 1994 men's World Cup.

"There was a limit on how much every city could spend," de Varona said Thursday. "No gifts were acceptable. No videos were allowed, just slides. Each city made a bare-bones proposal."

The pity of the current IOC scandal is that more than a few rogue delegates were totally comfortable in shaking down local officials.

There was clearly a don'task, don'ttell policy in effect, straight from the top. It would be hard to have faith in this administration, particularly as the master of drug abuse looms.

Pound, a Canadian, a former Olympic swimmer, with a good reputation and vigorous involvement in Olympic business, can be counted on to document some of the blatant abuses.

However, that would only be the first rudimentary step toward a more modern and democratic IOC that better served athletes without ignoring graft. This meeting in Lausanne is the ideal time for Juan Antonio Samaranch to serve the Olympic movement and resign.

DENNIS THE MENACE



PEANUTS



CALVIN AND HOBBES



JUMBLE

THAT SCRAMBLED WORD GAME
By Scott Morris and Kim Johnson
Each week, 10 words are jumbled up and rearranged to form a single word.

ANSWER: **TIAM**
1. **WAT** **WAT** **WAT**
2. **WAT** **WAT** **WAT**
3. **WAT** **WAT** **WAT**

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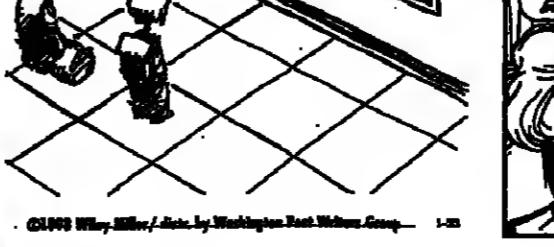
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